THE NIGER ECONOMIC POLICY REFORM PROGRAM (NEPRP)
PRELIMINARY PROGRAM IMPACT EVALUATION BY REDSO/WCA, FEBRUARY 1995

by

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The objectives of this preliminary impact evaluation of the NEPRP, as amended in 1992 and 1994, are the following:

1. Determine if substantive NEPRP conditionalities related to diversifying and increasing rural incomes have been met, and

2. If the conditionalities to promote policy and institutional reforms have been met, determine what effect they have had on clients of USAID.

3. Provide guidance to USAID/Niger and the GON on issues to be addressed before the final project close out evaluation in mid-1996. This guidance is intended as intermediate input for project implementation and preparation for the final evaluation.

The REDSO/WCA evaluation team spent two weeks in Niger in February 1995 conducting fieldwork and reviewing data for this evaluation. This report includes five sections: 1) Summary and Recommendations, 2) Review of NEPRP Impact by Sector, 3) Reduction of Illegal Payments from an economic perspective, 4) Using a Democracy/Governance Strategy to Reduce Illegal Payments, and 5) Compliance with Conditions Precedent (summarized in two Annexes).

Project Design and Achievement of Conditions Precedent

The NEPRP is a successful broad-based experimental reform program. In applying a flexible sector grant approach to a combination of economic growth, democracy/governance, and regional trade constraints, this assistance program represented "cutting edge" approaches to development assistance in West Africa in the late 1980s. The focus on obligation of funds using conditionalities at a strategic objective level (reduction of marketing costs such as taxes and illegal payments) with sector performance measured by customer surveys, represents an experiment in re-engineering delivery of USAID development assistance.

The purpose of the NEPRP is " to promote policy, administrative and institutional reforms which will foster increased exports of agro-pastoral exports" in order to contribute to the goal of "increased and diversified incomes in the rural areas" of Niger. More specifically, the NEPRP was designed to increase export growth within official channels through reduced export taxes, reduced transactions costs, reduced transportation costs, and improved information availability. It did accomplish this though some elements of the assistance program were more successful than others.

The project outputs consist primarily of reforms set out as CPs (conditions precedent) to NPA (non-project assistance) cash disbursements by USAID for the GON (Government of Niger). After the third project amendment, a total of $ 25,270,000 were obligated, of which 87% went to the NPA component and the remaining 13% to the PA (project assistance) component to support GON implementation of the CPs. A total of six disbursement tranches were reached by the time of this assessment. The first, second and third tranche disbursements were designed to be used for GON budget support; the fourth and fifth tranche disbursements were to be used for external debt payment, and the sixth tranche disbursement was to be used for domestic debt payment.

The reforms supported can thematically be grouped into the following five categories:

(1) Elimination of export taxes and export quotas on agro-pastoral products.

(2) Reduction of domestic illegal payments to public officials on the roads by traders and transporters of agro pastoral exports (rent seeking).

(3) Regional Market Development through promotion of trade relationships between Niger and its neighbors in West Africa, Nigeria in particular.

(4) Improvement or simplification of transport and trading sector regulations and elimination of monopolies.

(5) Public dissemination of agro-pastoral market information.

With respect to the five categories of reforms, only the first two are considered to have successfully led to people level impact. The export tax elimination and reduction of illegal payments must be considered as an interdependent package of reforms. This package of CPs was met and led to significant short term impact while contributing to an environment for long term sustainable growth and regional trade relationships in West Africa.

Regional trade promotion included various initial contacts, bridge building, and meaningful exchanges. However, given the preliminary nature of these contacts and exchanges it is impossible to determine an impact directly attributable to these initiatives.

There is no evidence of improvements or simplification of transport and trading sector regulations or elimination of monopolies due to program support. Limited impact in this sector can partly be explained by the temporary surplus trucking capacity and a focus on regulations that are not a binding constraint on sector performance or supply of transportation services in the short term.

Dissemination of agro-pastoral market information was weak, even though this may be a critical component of sustainability. Dissemination of information to support elimination of the export tax and illegal payments appears to have been a critical component of success. However, public dissemination of agro-pastoral price and market information in radio programs, Chamber of Commerce bulletins, or printed reports meets the legal requirements of the CPs but not the spirit of the CPs. The dissemination of price information is for too short a duration with too long a delay after data collection and is taking place during a season when this type of price information is not expected to have any measurable impact. Copies of agricultural sector studies were not duplicated to make material broadly available to the private sector in Niger. Unions directly involved with the reforms supported by NEPRP appeared to not be aware that the USAID program existed.

Export Tax Elimination and Reduction of Illegal Payments

The last fifteen years has been a period of continual opening of local market areas in rural Niger to a wider and more diverse set of market linkages within Niger and within the West African region. This has been achieved through increased physical access under $50 million of road construction projects and domestic trade and economic liberalization. During the early1980s there was a reduction of non-tariff barriers for agro-pastoral exports accompanied by an increases in export taxes in 1984 and 1987. Nigeria closed its borders to trade between January 1985 and March 1986, while Niger prohibited export of livestock between 1985 and 1987 to allow herds to recover from drought. Under the ASDG I project beginning in 1984?, USAID supported liberalization of marketing for agricultural inputs and major outputs such as grain among local markets within Niger. Traffic on major export commodity routes in Niger grew 23% annually between 1977-1988 [Kulibaba, 1993]

Under the NEPRP, beginning in 1988, USAID continued to support this geographic expansion of market access through liberalization of agro-pastoral exporting to markets outside Niger. Elimination of export taxes and reduction of illegal payments that initially offset the benefits of eliminating export taxes are the two major Nigerien achievements supported by the NEPRP.

Evolution of Agro-pastoral Export Taxes in Niger

As an example of an important export commodity, official export taxes on Nigerien onions were increased from 3 CFA/Kg to 10 CFA/Kg in 1984 and again to 20 CFA/Kg in January 1987. However, for many products the actual tax increase was limited due to an increasing practice of undervaluing products, giving an estimated real official export tax rate of 14 CFA/Kg for onions in 1987-1988. In October 1988 export taxes were eliminated with only a statistical tax officially imposed from 1988 to 1994 when this tax was also eliminated. The effective export taxes in 1987 and 1988 were about 15% of the market value of agro-pastoral products while statistical taxes levied from 1989 to 1994 represented only about 3% of the mercurial values (in general less than market values) of the products. Undervaluation of products between 1987 and 1994 was common and official statistical taxes collected per Kg of exports show an effective tax rate of less than 2 CFA/Kg for cowpeas and onions after 1988. This suggests that official export taxes were only a constraint on exporting between 1984 when they were significantly increased and 1988/1989 when they were eliminated.

Reduction of Illegal Payments Between 1992 and 1994

Illegal payments at road blocks and customs posts in Niger started being reported as a constraint to exports in the late 1980s. By 1992 the statistical tax and illegal payments in Niger for exports were roughly equivalent to official export taxes in Niger before 1987. If reported increases in illegal payments and import customs duties in other countries are included, Nigerien exporters may have been paying more in total taxes on their exports to coastal cities in 1992 than in 1988 before Niger eliminated agro-pastoral export taxes. In October 1992 reduction of domestic illegal payments became a conditionality under the amended USAID NEPRP.

Available evidence suggests that illegal cash payments between Galmi, Niger and the Burkina Faso border 600 Km away had reached 79,000 CFA in May 1992 for a truck of onions (10 to 35 tonnes). Increased overhead costs for vehicles due to illegal payments are estimated at 27,000 CFA for this 600 Km and loss of produce attributable to delays for illegal payments are roughly equal in value to cash payments. On this basis the total cost of illegal payments was 185,000 CFA in 1992 or 7 CFA/Kg for 25 tonnes of onions.

With USAID support the GON implemented a 1992 and 1993 campaign to reduce illegal payments to police agents and security forces and a 1994 campaign to reduce illegal payments to customs agents. Between May 1992 and November 1994, domestic illegal cash payments on exports in real terms were reduced by half and related loss of produce and transport overhead costs were reduced as well.

<u>NEPRP Related Increases in Exports and People Level Impacts</u>

There are two time periods in which increases in exports related to NEPRP support should be observable. Short term impacts are expected in 1989-1990 immediately following elimination of the export tax, but before rising illegal payments offset this export incentive. Longer term impacts are expected in1994-1996 following reductions in domestic illegal payments and elimination of the statistical tax. It is clearly too early to identify these long term impacts now, but these will be the focus of an end of project impact evaluation planned for 1996. The analysis of impacts in this report focuses on the short term impacts between 1989-1993.

The empirical evidence from informal surveys and from official statistics suggests that exports increased substantially in 1989 and 1990 and at least part of this increase is attributable to the elimination of the export taxes in 1988. However, this export growth was diminished by the increase of illegal payments from 1991 to 1993, a period characterized by increasing political and socio-economic difficulties in Niger. The

October 1992 NEPRP second amendment included conditions precedent designed to reduce illicit payments which was followed by a successful reduction of such payments on the roads within Niger between May 1992 and November 1994.

Elimination of the export taxes in 1988 was expected to result in: (a) increased entry and competition in agro-pastoral export trading and transportation sectors; (b) higher prices offered to domestic producers and lower prices offered to foreign buyers by competing traders; (c) increased production and export of agro-pastoral products as a result of the price incentives received by domestic producers and foreign consumers.

There is evidence of increased entry and competition among traders and transporters in the agro-pastoral sector, but not within official channels. There was no increase in official registrations, but new entries occurred mainly through unofficial channels to avoid the costs of official registration and the related tax obligations.

There is evidence of increased producer prices for onions and cowpeas as well as increased production and exports in these two sectors. The NEPRP impact on the skins and hides sub-sector was limited or offset by other factors, as recorded exports of skins and hides dropped after privatization of the sector in 1986. The NEPRP impact on the livestock subsector is unclear as there were numerous non-tariff export barriers and a drought in the period just before export taxes were eliminated.

Relative prices have been shifted, but price volatility is now a serious constraint to profitable investment. Exchange rate, interest rate, and distant market price volatility have added significant intra-seasonal instability to the previous risk factors of rainfall and crop damage from natural causes such as insects.

Based on these achievements, the NEPRP had an important impact on increasing and diversifying agro-pastoral exports, increased production of export crops, and higher farm income.

The project appears to have had a minimal impact on shifting trade into official channels and increasing GON revenue. Approximately 3 billion CFA per year in expenditure reductions were claimed as a result of the ASDG I. Under NEPRP approximately 3 billion CFA per year of public sector export tax revenue was lost, either via official and illegal payments. However, micro and macro level data suggest that this loss of export tax revenue has largely been offset by increases in legal and illegal collection of revenue on imports. These import revenues are larger than they would have been without the export promotion efforts supported by the NEPRP.

If elimination of an export tax in a West African country is to be effective and sustainable in promoting regional trade, there should not be contradictory measures taken in importing and transhipment countries. It is necessary to ensure that taxes affecting the exported commodities are not increased in importing countries and in countries through which the commodities are shipped on the way to their final destination as a result of the elimination of taxes in the exporting country. Limited evidence suggests that this has happened in the case of Niger. For example, onions from Niger, are exported to Cote d'Ivoire through Burkina Faso. While the NEPRP pushed for a reduction of export taxes in Niger, such payments are reported to have increased in Burkina Faso and Cote d'Ivoire when they declined in Niger. This reduced the impact of policy reform in Niger.

There is need for policy reform coordination at the regional level. One option is to design bi-lateral policy programs with a regional perspective including activities to deal with external constraints. The NEPRP included promoting trade relations with Nigeria, but nothing related to legal or illegal taxes in other countries.

In summary, NEPRP achievements measured by program indicators are:

a. Since the inception of NEPRP, production and exports have increased in three agro-pastoral subsectors out of four. Among the three subsectors where production and exports increased (onions, cowpea, livestock), only increased production and exports in the onion and cowpea subsectors could be directly related to the NEPRP. There has been some diversification of exports to the extent that large scale exports of horticultural products such as onion and green beans is relatively new.

b. The producer prices for onion and cowpea have increased, suggesting that producer income increased in these two subsectors.

c. There has been no shift of trade into official channels through official business registration. There has been an expansion of the agro-pastoral export sector, with signs of less smuggling and greater shipments of exports through official cross-border roads and check points.

d. The increase in agro-pastoral export revenue to Niger is likely to have contributed to greater imports and consequently to greater import tax revenues for the Government of Niger. Payments to customs agents reported by drivers using Nigerien export routes declined 31% while payments to customs agents along importing routes increased 46% between 1992 and 1994. GON total tax revenue on international trade and transactions (both import and export) increased from CFA 22.1 billion in 1988 to 27.3 billion in 1990 and then declined to 18.0 billion in 1992. Preliminary macro-economic estimates suggest that such an increases in annual import tax revenue would, under reasonable assumptions, at least offset the export tax revenue loss from elimination of export taxes after a short adjustment period. The original estimates of the NEPRP cash transfers as budget support to allow the GON to make this transition from taxing exports to taxing imports seems to have been realistic.

Recommendations for Preparation for the 1996 Final Evaluation

The following is a list of issues to be addressed and tasks to be accomplished before the 1996 Final Impact Evaluation. This has been compiled assuming that a series of background studies, useful in their own right, should be completed before an evaluation team working during a short period of time is asked to write up the final impact evaluation.

Background Studies to be Commissioned

A. Use a modified version of the Niger SAM (social accounting matrix) compiled under the Cornell University project for CGE impact modeling of changes in export taxes and illegal payments. The PAM project should be asked to assist a professor from the national university in Niamey and a professor from the national university in Ouagadougou to prepare a research proposal to submit to the USAID (EAGER Project) funded RESEAU of Francophone economists before December 1995. Once an acceptable proposal is submitted, all the funding and technical support for the research will be provided from the RESEAU. Since most RESEAU projects are 6 to 12 months long, results should be available in 1996 for use in the NEPRP final impact evaluation. Most importantly this is expected to open up a forum for analysis and discussion of export taxes and illegal payments between Nigeriens and Burkinabes.

B. Request REDSO/WCA to synthesize export data for Niger from domestic sources and market studies in importing countries. This could draw on the numerous market and regional trade studies currently underway.

C. Request GON to complete data in performance reports as these are now incomplete and the data is not reliable.

D. Use a local contract to analyze data at Guichet Unique. In particular this analysis should assess the evolution of the number of operators and of intended volumes of trade within the agro-pastoral export and transportation sectors since 1985.

E. Conduct additional formal surveys on illegal payments, with a special focus on payments to customs agents on imports versus exports. In Niger and other countries such as Cote d'Ivoire, available evidence suggests that illegal payments to customs agents have become increasingly important since May 1992. In some cases increased payments to customs agents are offsetting the reductions in payments to police and gendarmes.

F. Support analysis of the transport sector, with a specific focus on the potential constraint to horticultural exports from an aging truck fleet experiencing more mechanical failures leading to high loss of produce. Horticultural products are particularly sensitive to this type of transport risk and if this risk increases it will lower the competitiveness of Nigerien products in coastal markets.

G. Document and disseminate a detailed analysis of changes in GON revenue from export tax elimination and reduction of illegal payments. This might be done in conjunction with the study proposed above using the SAM. It is important that the real costs and benefits to the GON from elimination of these export barriers be more widely known to help prevent ill advised reimposition of these taxes.

H. Support analysis and dissemination among Nigerien decision-makers of current or proposed multi-lateral agreements on import taxes. Official and illegal customs duties appear to be one of the most important barriers reducing Nigerien competitiveness in regional coastal markets. Import duties are also an important source of government revenue that may decline as regional trade agreements are implemented. Alternatively import taxes could be a major barrier to implementation of regional integration proposals.

I. Obtain and analyze data available with the transporters' and drivers' unions with respect to number of vehicles, and incidents with public officials, negotiations with GON and other associations.

Recommendations for NEPRP Follow Up Support by USAID or Other donors

1. Sustaining Reduced Domestic Export Taxes and Illegal Payments

   A. Focus on payment to Customs Officials within Niger and outside Niger,
   B. Increase awareness among GON staff of the benefits to Niger from reforms already taken, not only those to be taken in the future,
   C. Support Nigeriens to communicate their success regionally Regional workshop presentations; mass media articles
   D. Investigate elimination of economic police as reform measure
   E. Support GON April 15 1994 proposal from the Minister of Transport and Tourisme for a single control point approach for document control, (This could include Police, gendarmerie, customs, and unions)
   F. Train civil organizations in negotiation, conflict resolution, relevant legal matters, and in monitoring and reporting illegal payments,

2. Improve Transport and Trading Sector Regulations and Structure

   A. Support discussions on transport sector investment emphasizing vehicle quality standards and future trucking capacity needs. This might, link USAID financial institution development to truck financing.
   B. Simplify business registration and reduce related costs
   C. Support regional initiatives of Transporters and Drivers
   D. Include in Code de Commerce a provision for tax reduction for traders making expenditures on social infrastructure (schools,clinics, etc.)

3. Regional Market Development using performance based support with GON

   A. Expand coastal market share based on comparative advantage
   B. Exchange visits and videos with USAID/Mali and USAID/Ghana
   C. Support efforts to improve quality of agro-pastoral exports and reduce post-harvest losses during exporting.

4. Disseminate agro-pastoral export information with other regional info centers

A. Development of programming materials for dissemination
   1. Documentation of marketing technology innovations
      example: post-harvest/transport losses of onions
   2. REDSO synthesis of on-going regional marketing studies
   3. Synthesis of laws, decrees, trade regimes, regulatory reform, (this could draw on USAID's work in Niger/Nigeria and Guinea) (Effort could complement MULPOC role in Niamey)
   4. Video production in collaboration with USAID/Mali
   5. Radio programming on regional prices, regulations, illegal payments, taxes
   6. Sub-contract national statistics service for USAID data needs.

B. Dissemination of programming materials developed
   1. Broadcasts in a weekly "Regional Marketing" program
   2. Dissemination of studies via Ministry of Plan/MULPOC document center
   3. Distribute Nigerien farmgate price information in coastal markets
   4. Support other mass media dissemination and Chamber newsletters.
   5. Expand commercial attache functions in other countries.

C. Improve private communications mechanisms
   1. Improve telephone connection from producing areas to markets
   2. Email connections via AFRICALINK for Chamber and others

REVIEW OF NEPRP IMPACT BY SECTOR

by Yves-Coffi Prudencio and Glenn Rogers

The conditionalities of NEPRP aimed at a liberalization of the agro-pastoral export market in Niger , by removing price distortions and by creating conditions that would increase competition in the market. As such, the conditionalities which were aimed at removing legal and illegal taxes, at freeing entry into the market, at promoting market development and information dissemination, were all complementary to one another and jointly contributed as a package to the impact of NEPRP. However, the conditionalities that had significant impact were those related to the reduction of taxes and illicit payments, the other types of conditionaliies having little or no impact as a result of poor or ineffective implementation.

A. Reduction of Taxes and Illicit Payments

1. Taxes and illicit payments

During the 1980s, there was a reduction of non-tariff barriers for agro-pastoral exports accompanied by an increase in export taxes in 1984 and 1987. Cereal marketing was liberalized and marketing parastatals were closed in Niger with support from USAID conditionality under the ASDG I Project. Nigeria closed its borders to trade between January 1985 and March 1986, while Niger prohibited export of livestock between 1985 and 1987 to allow herds to recover from the 1983/84 drought. Though livestock continued to pass and clandestine trade continued, the Nigerian border closure prevented official exports of cowpeas and other major agricultural products by Niger. This also delayed implementation of actions to facilitate cross border trade. In 1984 export taxes were increased substantially (from 3 CFA/Kg to 10 CFA/Kg for onions). In January 1987 export taxes were again increased substantially. For example official taxes on onion exports were raised from 10 CFA/Kg to 20 CFA/Kg. However, for many products the effective tax increase (e.g., 14 cfa/kg for onion) was limited due to an increasing practice of undervaluing products.

The elimination of export taxes on agro-pastoral products was set by USAID-Niger as a conditionality under NEPRP for the disbursement of the first tranche, and was in fact the most important single policy reform under the original program. The GON accomplished this through the Loi de Finance (the annual budget resolution) for fiscal year 1989. Evidence that the export taxes on agro-pastoral products had been eliminated was provided to USAID-Niger by GON in February 1989. However, export taxes were officially eliminated in October 1988, with only a 3% ad valorem statistical tax officially imposed from 1989 to 1994 when this tax was also eliminated. Undervaluation of products between 1987 and 1994 was common and official statistical taxes collected per Kg of exports show an effective tax rate of less than 2 CFA/Kg for cowpeas and onions. This suggests that official export taxes were only a constraint on exporting between 1984 and 1988.

Illicit payments at road blocks and customs posts started becoming a problem after the death of President Kontche in 1987 and a weakening of state control under President Ali Seibou. In the period before 1987, available evidence suggests that illicit payments in the total marketing system were roughly equal to the low official export taxes in Niger before 1984. However, by 1991 illicit enrichment and corruption had become such a serious problem that the National Conference specifically addressed it as a national issue. The situation continued to worsen in 1992 and 1993 for a number of reasons, with illicit payments rising on some exports more than others. Exports that are particularly sensitive to illicit payments , such as onions, experienced an increase in reported payments from 3 CFA/Kg in 1990 to over 17 CFA/Kg in 1993, with the total cost, including loss of produce, as a result of transportation delays being even greater. The total cost was quantified as about 20% of value, reportedly reaching 20 to 30% of CIF value (see sections 4 and 5 below).

In 1992, reduction of illicit payments became a conditionality under the amended USAID NEPRP (2nd amendment). The first conditionalities related to illicit payments were satisfied in November 1992 when the GON issued ordonnances providing negative sanctions against illicit enrichment. Radio and television messages were broadcast in 1993 to inform the public about the legislation. The transporters and drivers unions indicated that they further informed their members of the legislation and of their rights. In September 1993 announcements were mailed to officials throughout the country about the application of the legislation. Available evidence shows that domestic illicit payments in Niger declined both in 1994 and 1995.

Table 1.1 shows the change in official export taxes between 1988 and 1989. The Effective Tax Rate is calculated by dividing the total GON Tax Revenue on Exports in Table 4.2 by the total volume of exports in Table 3.5. Though a large proportion of exports do not pay export taxes, the reduction in effective export tax rates was significant.

As suggested by Table 1.2, the removal of the export tax in late 1988 was followed by a rise in illicit payments from 1991 until late 1993 when the conditionalities related to illicit enrichment were first implemented. However, the total tax rate remained below what it used to be before the elimination of the export tax until 1992.

2. The condition precedent assumptions and hypotheses

Whether an effective reduction of export tax and illicit payments had any impact in terms of the project goal and purpose depends on whether there exists any empirical evidence that supports the hypotheses that theoretically relate the reduction in export tax and illicit payments to the project goal and purpose, and on whether the assumptions behind such hypotheses are also supported by the available evidence or not.

The theory behind the tax elimination is that the removal of the export tax would have positive effects on both the supply and demand sides. The removal of the tax would first lead in the short run to an increase in the profit margin of traders and transporters; this would make the agro-pastoral export sector more attractive and would foster the entry of other traders and transporters. Assuming that the agro-pastoral trading and transportation sector is sufficiently competitive, traders would compete at the farm gate to offer higher prices to producers, and in the market to offer lower prices to their customers or consumers until their pure profit margin is driven down to zero. This would increase both quantity demanded and quantity supplied. The result would be a boost in production and exports. Graphically, the situation may be illustrated as shown in Figure 2.1.

Following the elimination of the export tax the traders's competitive marketing margin (m) will in the short run be increased by the amount of the tax (T). The more profitable marketing margin ($M = m + T$) will attract new operators into the market until the marketing margin is brought back down to its normal zero-pure-profit level (m) through the competition mechanism. Higher prices (from Pon to P1n) will be offered to domestic producers who will receive a share (aT) of the removed tax (with $0 < a <= 1$), this will result in an increase in Nigerien production (from Qpo to Qp1) and export (from Xo to X1); the consequent greater import (from Wo to W1) into neighboring countries will fetch a lower price (from Pof to P1f), with the consumer in the foreign market receiving the other share ((1-a)T) of the removed tax. Overall the price of the export commodity will rise in the domestic market (Niger), and will fall in the foreign markets (Cote d'Ivoire, Togo, Benin, Nigeria).

A necessary condition for the above scenario to hold is that the agro-pastoral export transportation and trading sectors be highly competitive. Other relevant conditionalities have been introduced into the program design to insure that this be the case. The competition assumption and the theory can be verified by checking if the following have resulted from the application of the reform, other things being held constant:

1) An increase in the numbers of transporters and traders in the agro-pastoral export sector

2) An increase in agro-pastoral exports production and export from Niger

3) An increase in the domestic prices of agro-pastoral exports in Niger

4) A decline in the prices of the agro-pastoral products in importing countries in the region

In case of lack of competition, collusion may occur among the middlemen (traders, transporters, recipients of illicit payments), and they might end up sharing all the benefits of the export tax removal, with none passed on to producers and consumers , and the reform would then lead to no increase in output or export.

To test the above hypotheses, given the before/after time series nature of the available data, it would be necessary to adopt a with/without approach by attempting to separate at least the effects of factors such as rainfall, exchange rate and natural population growth on the supply and demand of agro-pastoral exports. In the absence of an appropriate sectoral or general equilibrium model for the purpose of this assessment, the available before/after empirical evidence will be discussed with an attempt to separate the influences of the above-mentioned factors.

3. Short term effects of the export tax elimination

INFORMAL SURVEYS

The empirical evidence from informal surveys tends to support the competition assumption and the price change hypotheses. The team made a trip to Maradi near the Niger-Nigeria border and talked to farmers, traders and truck drivers. The following statements from the interviewed persons support the competition assumption and the theoretical scenario in general..

(i) An onion farmer along the road from Niamey to Maradi revealed that the average producer price for onion has been increasing during the past five years, and that onion traders have been competing to buy his production.

(ii) Hides and skins traders in Maradi indicated that the number of major traders of skins and hides in the Maradi market has significantly increased during the past five years from eight to thirty.

(iii) A cowpea trader who buys in Niger and sells in Nigeria indicated that the number of cowpea traders has increased by "too much" during the past five years.

(iv) Drivers at the truckers union headquarter in Maradi indicated that the number of transporters has significantly increased within the past few years, and that transportation of agro-pastoral products is one of the most popular businesses in Niger.

STATISTICAL EVIDENCE

The statistics are influenced by several factors other than the export tax; however, focussing on the immediate short term effects of the tax elimination between 1988 and 1990 helps to reduce such influences. The major external shocks that affected the agropastoral export market in Niger between 1988 and 1990 were: (1) the elimination of the export tax in late 1988, (2) rainfall change, and (3) change in the CFA/Naira exchange rate.

Rainfall, Exchange Rate and GDP

Besides price incentives that may occur through the elimination of he export taxes, the most important determinants of agricultural production and exports in Niger are rainfall and the exchange rate with Nigeria, Niger's major trading partner in the region. The extent to which observed changes in output, prices and exports of agro-pastoral products could be attributed to the export tax reduction depends on how stable these other determinants were during the period under investigation (1988 - 1990).They were relatively stable between 1988 and 1989, but not between 1989 and 1990 as demonstrated by the data in Table 3.1.

The statistics in table 3.1 suggest no major change in rainfall between 1988 and 1989 when the tax removal is likely to have had its first effects on production. The rainfall amount increased slightly in three of the growing areas, but with a slightly less favorable distribution, and declined in a fourth. Relative rainfall stability could then be assumed between the two years. The exchange rate of the naira dropped three-fold in nominal terms between 1988 and 1989 from 61.5 Cfa/N in 1988 to 21.2 Cfa/N in 1989 and could have had a contractionary effect on agricultural output in Niger; but in real terms, the real effective Naira/Cfa exchange rate dropped only by less than 4% (note that increase in table is for Cfa/Naira rate) and rural GDP remained relatively stable during the period.. Between 1989 and 1990, however, these two determinant were much less stable with 10-30% decline in rainfall and a significant 10% increase in the real effective Cfa/Naira exchange rate.

Given the relative stability of rainfall and exchange rate between 1988 and 1989, and also given the relative stability of illicit payments during that period as suggested by the data in Table 1.2, one may assume, while analyzing the time series data, that changes that occurred within the agro-pastoral export market between 1988 and 1989 were mostly due to the removal of the export tax. But, changes observed between 1989 and 1990 would be due at least to all three major determinants and further analysis will be needed to point out the probable effects of the tax reduction.

Effect on Entry into the Trading and Transportation Sectors

The available data suggests that there has been new entry into the trading and transportation sectors of agro-pastoral products, but through unofficial channels and not through official channels.

Data on number of licensed traders registered at the Guichet Unique in 1988 and 1989 were not readily available at the time of this assessment; however, the available data for 1990 and 1993 (Table 3.2) suggests that the number of officially registered traders at the Guichet Unique apparently has not increased in the post-reform period and might have even declined. This would be the result of a still high transaction cost of business registration, and of the attached tax obligations and harassment. This, according to an official of the Chambre de Commerce would be leading to an expansion of the informal sector where most of the new entry would be taking place.

The number of newly registered transportation vehicles (pick-ups and trucks altogether) declined between 1988 and 1989, declined further in 1990 and recovered with a significant increase in 1991. Discussions with the Drivers union in Maradi indicated that most Nigerien vehicles engaged in the cross border trade with Nigeria register in Nigeria to avoid the high cost of vehicle insurance in Niger. The cost of vehicle insurance would be much l cheaper in Nigeria than in Niger. The official vehicles registration figures would therefore be highly under-estimated.

In conclusion, it seems that new entry into the agro-pastoral trading and transportation sectors has been occurring, but mainly through unofficial channels and not through the official channels.

Effects on Production, Exports and Prices

The major agro-pastoral export subsectors covered by NEPRP included onion, cowpea, livestock, and skins & hides. The short term effects of the export tax reduction have been estimated and were more or less consistent with the theoretical expectations in the case of onion and cowpea. But, they were relatively unclear in the case of livestock and relatively small or nil in the case of skins and hides.

The onion subsector

Nigerien onion production was relatively stable during the period 1968-1974 with an average production of about 32,000 tons per year. Production more than doubled during the 1975-1978 period where it reached an average of 73,000 tons per year. In 1979, 1980, and 1982 onion production in Niger reached over 100,000 tons per year, then abruptly dropped to about 50,000 tons in 1983-84 during the drought period. Since then, production has increased steadily again to reach about 200,000 tons per year in the 1989-1991 period (Arnould and Iddal, 1992:51). This clearly suggest a strong autonomous growth of onion production in Niger, as a result of more and more farmers becoming interested in onion production as a strategy to alleviate the effect of drought on income and food security (Lev and Gadbois, 1989)

Similarly, onion exports increased from an average of 5,000 tons per year during the 1975-1980 period to about 13,000 tons per year during the 1981-84 period, then increased to about 15,000 tons per year during the 1985-87 period (Lev and Gadbois, 1989:20) and reached 20,000 tons in 1988. Afterwards, it remained above that level up to 1993, with an exceptional amount of 60,000 tons exported in 1990 (Zalla, p. 16; Table 3.5), of which about half were exported to Nigeria (Arnould and Iddal, 1992, p 122).

The rather steady growth of the average periodical onion export from Niger ,described above, from 1975 to 1994, despite increases and reductions in export taxes, suggests that the growing popularity of the crop in Niger as an alternative source of income, is the main driving force behind the production and export trends. For this to be true, the producer price must have remained above production costs all along the years, and this seems to have been the case with producer prices remaining above 20 Cfa/kg (Table 3.7). Such a price still provides a benefit/cost ratio of 1.4 to the farmer during the peak growing season, according to Arnould and Iddal (1992, p 8, Appendix). Under such circumstances the effects of a tax increase or tax removal, may be relatively small and difficult to capture as long as there would be a sufficient profit margin to attract additional producers (or production).

One consequence of a rapidly growing supply in face of a slowly growing demand is a decline in producer price which seems to have occurred between 1984 and 1988, where the maximum dry season onion producer price declined from 50 Cfa/kg in 1984/85 to 30 Cfa/kg in 1988/89. Similarly, the minimum dry season producer price declined from 45 Cfa/kg in 1984/85 to 20 Cfa/kg in 1988/89 (Table 3.7). The increases in export tax in 1984 and 1987 certainly contributed also to the decline in producer price, but alone they would have led to a contraction of exports and not to an expansion as actually observed.

Onion production in Niger occurs mostly during the dry season from November to April (Lev and Gadbois, 1989) with prices falling from November/December through April/May, the peak harvest period.The export tax was theoretically removed during the 1988-89 dry season. However, the onion producer price during that period reached a maximum of 30 Cfa/kg and a minimum of 20 Cfa/kg. Compared to the 1987-88 dry season, the producer price was lower during the 1988-89 dry season, but as previously argued the declining price trend may be mostly due to a rapid supply growth.

Regarding the impact of the tax elimination, one may, considering the fact that the conditionality was actually satisfied in February 1989, hypothesize that, given the time needed for information dissemination, the first impact of the tax elimination on production and prices actually occurred during the 1989-90 dry season where the maximum producer price increased by 5 Cfa/kg over the previous season price, while the minimum price remained unchanged. The statistics (Table 3.8) also indicate that the average retail price of onion increased in 1989, compared with 1988, at Tahoua which is the major onion production area in Niger , but declined slightly in Niamey and in other areas such as Maradi and Zinder along the Niger/Nigeria border. In 1990, however, the average onion retail price declined in all four localities in Niger.

At Lome in Togo, where the Nigerien share of the onion market fluctuates between 15% and 40%, the retail price of onion steadily declined from 462 Cfa/kg in 1985 to 246 Cfa/kg in 1989., then increased to 455 Cfa/kg in 1990 (Arnould and Iddal, 1992, p 63; 85). The increase in producer price during the dry season 1989/90, the increase in retail price in the major onion producing area in Niger (Tahoua), and the decline in consumer price in Lome are all consistent with the expected positive impact of the tax removal, according to the theory outlined earlier.

However, the decline in retail prices in the other urban areas inside Niger is contrary to the theoretical expectation, but may be reconciled with the theory if one hypothesizes that new operators, attracted into the onion market by the export tax removal, engaged themselves not only into the export market but also into the domestic market, where about 80% of total production is traded, in order to make a better use of their investments and tap into the profit margin of the domestic onion trade. In so doing they increased traders competition in supplying onion to the urban consumers in Niger, resulting into lower prices being offered to the Nigerien urban consumer. This internal competition combined with the autonomous supply growth in Niger would explain the continued retail price decline observed across Niger in 1990 as well.

It is difficult to relate the decline in retail prices in Niger to a reduction in foreign demand that would be due to either the Naira devaluation or to a declined in imported Dutch onion price in Cote d'Ivoire, because exports to Cote d'ivoire and Nigeria tremendously increased during the 1988-1990 period, (Table 3.6), with about 22,000 tons exported to Cote d'Ivoire, the largest amount ever exported to that country, and with over 28,000 tons reported as exports to Nigeria in 1990 (Arnould and Iddal, p 122), the largest quantity ever reported as onion export to Nigeria, despite the fact that the real exchange rate of the CFA vis-a-vis the Naira increased by 15% between 1988 and 1990 (Table 3.1). In fact, most of the exceptional quantities produced (220,000 tons) and exported (60,000 tons) in 1990 came from the 1989-90 dry season which is assumed to have been the first season where there has been the first lagged response to the export tax elimination through an increase in the maximum producer price (from 30 Cfa/kg to 35 Cfa/kg), an increase in production, and finally an increase in exports. The reduction in foreign consumer price that traders could accept, because of the reduction in both taxes and illicit payments (by 13 Cfa/kg at least, see Table 1.2) in 1989 and 1990, probably accounts for the greater quantities demanded and sold in Cote d'Ivoire, Togo, Burkina faso, Ghana (Table 3.6) and Nigeria during those two years.

The lower rainfall recorded in all localities in 1990 (Table 3.1) certainly reduced water availability during the 1990-91 dry season, and can explain the observed decline in production (down to 169,000 tons) and export (down to about 27,000 tons) (Tables 3.3. and 3.5), as well as the increase in both minimum and maximum producer prices (by 5 Cfa/kg and 15 Cfa/kg, respectively) (Table 3.7) observed during that season. The upsurge of illicit taxes observed during the period which increased total taxes (from 4 Cfa/kg to 11 Cfa/kg) probably prevented a greater increase in the producer price.

In conclusion, given the overall consistency of most of the available empirical evidence with the expected theoretical effects of the tax removal, it could be argued that the reduction of export taxes did benefit the onion subsector to some extent.

The Cowpea subsector

Cowpea production occurs mostly during the rainy season from July to December. Cowpea is planted mostly as an intercrop to millet and sorghum, after the latter have been planted during the season. Minor quantities of cowpea are also produced during the dry season in lowlands and within irrigated areas. However, the bulk of the production is rainfed and depends very much on rainfall. Given the fact that harvest occurs late in the year, most of the production of a given year is mostly traded the next year. Consequently, the 1988 cowpea production was mostly marketed in 1989, and the 1989 cowpea production was mostly marketed in 1990. Therefore, the late 1988 reduction of export taxes would have affected production mostly in 1989, exports and market prices mostly in 1990. As indicated by the available data (Table 3.3) , cowpea production increased from 302,000 tons in 1988 to 320,500 tons in 1989, with no major change in rainfall; in fact rainfall was lower at Zinder the main production area (Table 3.1; Rassas et al. , 1989, p. 13). Furthermore, as previously mentioned, a threefold devaluation of the Naira occurred in August 1989, with even a slight drop in the bilateral real Naira/Cfa exchange rate (equivalent to the increase in Cfa/Naira rate in Table 3.1). Given the fact that the Nigerien cowpea is mostly exported to Nigeria, the devaluation of the Naira certainly did not give Nigerien farmers an incentive to produce more cowpea for the Nigerian market; consequently, one could argue that the major external shock that positively affected cowpea production in 1989 was the reduction of export taxes. Recorded cowpea exports (Table 3.5) also increased from 17,640 tons in 1988/89 (October 1988 to September 1989) to 32,150 tons in 1989/90, thereby suggesting a positive impact of the tax reduction on cowpea exports as well.

Regarding cowpea prices, the wholesale producer price is reported to have increased from 60 Cfa/kg in December 1987 to 90 Cfa/kg in December 1988 (Rassas et al, 1989, p. 56), following the official removal of the export tax in October 1988. Data on producer price after 1988 are hard to come by.. However, the average annual retail prices of cowpea in the major production areas (Zinder, Maradi, Niamey, Tahoua) (Table 2.9) show the following:

(a) The average retail price of cowpea was lower in 1989 than in 1988 in all localities. This may be due to a greater production of cowpea in 1988 (marketed in 1989) than in 1987 (marketed in 1988). The 1987 production was 209,000 tons (Rassas et al, 1989:23), that can be related to a low rainfall (Table 3.1), compared with a production of 302,000 tons in 1988. The substantial growth in supply , in face of a rather declining total demand due to the Naira devaluation in 1989, may have been at the origin of the price decline observed in 1989

(b) The average retail price of cowpea increased from 97 Cfa/kg in 1989 to 150 Cfa/kg or more in 1990 in the two major production areas, Zinder and Maradi. Such an increase in price occurred despite the increase in the 1989 production marketed in 1990 and along with the increase in cowpea exports in 1990. The increase in domestic price could then be the result of an increase in the demand for export resulting from the reduction in export taxes, illicit payments being apparently lowest in 1990 (Table 1.2). However, it is also to be noted that the increase in export occurred despite the naira devaluation (real bilateral Naira/Cfa exchange rate declined by 15% between 1988 and 1990; Table 3.1). The two facts are reconcilable only if cowpea traders could remain in business by reducing their selling price in Nigeria by the same percentage, at least. The elimination of the formal export tax could have made this possible, but to be realistic, there must have been a substantial pure profit margin in cowpea export for increased competition to increase the producer price by 50% and to reduce the foreign consumer price by 15%, all for a reduction of 20 Cfa/kg (22% of the December 1988 producer price) in export tax Barras et al (1989:72) apparently found that the few cowpea traders operating in the formal sector enjoyed "high" returns. In any case, no matter how plausible the percentage changes in price might be , the direction in which prices have changed remain consistent with price changes expected from a positive impact of the reduction in export taxes.

Overall, given the general consistency of the observed evidence with the theoretical expectations, it can be argued that the cowpea subsector, most likely benefited from the reduction in export taxes.

<u>The skins & hides subsector</u>

Short term effect of the tax reduction on the production of skins, hides and livestock is practically nil since it takes more than one to two years to adjust production to any price incentive in such sub-sectors. Consequently, the observed increasing trends in stocks and production between 1988 and 1990 (Table 3.4) are mostly due to natural livestock population growth. Total production of cattle hides was 156,207 pieces in 1988 and increased to nearly 180,000 pieces in 1992. Total production of skins was 2,226,000 in 1988 and increased to an average of about 2,400,000 during the 1989-1992 period.

With respect to exports, official exports of skins and hides declined sharply from an average of over 2,200 tons in 1985 and 1986 to 304 tons in 1987 (Hardy et al, 1992:46) following the privatization in 1986 of the parastatal SNCP (Societe Nigerienne des Cuirs et Peaux). The company once privatized, apparently failed to continue to meet the European market quality requirements and lost its European outlets. the Nigerien skins and hides have since been exported mostly to the Nigerian market with lower quality standards. The trade from 1987 on has been mostly handled by a multitude of small traders who collect artisanally processed skins and hides across the country for export to Nigeria. From 1988 to 1990 exports increased again to reach 1,000 tons in 1990, then declined afterwards (Table 3.5). Given the fact that exports increased in 1989 and 1990 despite successive devaluations of the Naira, despite a fall in the f.o.b Niamey price in 1989 and 1990 (Mooney et al, 1990:39) and despite a fall, in Cfa terms, of the Sokoto market price in Nigeria (Table 3.11), one can hypothesize that the elimination of the export tax largely contributed to the increase in exports during the 1988-1990 period.

The available price data indicates that between December 1988 and December 1989 prices of cattle hides and sheep skins declined, while prices of goat skins increased in Niger (Table

3.10). On the other side of the border in the Sokoto market in Nigeria all skins and hides prices declined in Cfa terms between 1988 and 1989. Given the fact that only the price changes for the goat skins are consistent with theoretical expectations with respect to the effects of the export tax reduction, one can argue that only the goat skin subsector did benefit from the export tax reduction. The negative effect of the Naira devaluation on the Nigerian demand and on prices within Niger probably outweighed the opposite effects of the tax reduction in the case of cattle hides and sheep skins. However, it can also be argued that the observed increase in export figures is simply an increase in cross border records due to less smuggling encouraged by the reduction of the export tax. The decline of export figures after 1990 would be due mostly to the fact that the biggest formal exporters (SNCP, , SONITAN-Maradi, SONICOM) closed down after 1990, as a result of severe financial and management problems.

The livestock subsector

The cattle herd size in Niger increased from about 1.5 millions in 1988 to about 2 millions in1993. Similarly, the small ruminants herd size increased from 7.5 millions in 1988 to 9.5 millions in 1993 (Table 3.4). Cattle exports were exceptionally low in 1986 and 1987 (less than 6,000 heads exported in 2 years), as a result of a ban on livestock export by GON to allow the herd to recover from the 1983-84 drought.. Cattle export increased from about 6,000 heads in 1988 to about 22,000 heads in 1989 and 38,000 heads in 1990, then grew steadily to reach about 80,000 heads n 1993 (Table 3.5), a level of export higher than the pre-drought export of about 50,000 heads in 1982. The increasing trend is certainly due , for a large part, to a progressive revival of the cattle export activity following the lift of the export ban, but the rapid rise over the pre-drought level suggests an acceleration of the momentum by the export tax reduction.

However, prices data suggest a decline in livestock and meat prices in most markets in Niger between 1988 and 1989 (Tables 3.12 and 3.13). This suggests either one of the following:

(a) Cattle supply was voluntarily, following GON advise, restricted by most cattle owners during the 1985-88 period to allow the herds to recover from he drought. Supply was then restricted to both domestic and foreign markets and led to relatively high livestock and meat prices. A minimum three year-period being sufficient to obtain a new generation of livestock for sale, supply was held down until 1989 when it was released, following the lift of the export ban, leading to an increased in supply to both domestic and foreign markets, prices then went down in most markets in 1989. The devaluation of the Naira in 1989 having further reduced to some extent the Nigerian demand for Nigerien livestock , it further contributed to the decline in domestic prices.

(b) Another possible explanation is that livestock export never declined actually in spite of the ban. Exports simply continued to take place informally through smuggling from 1985 to 1988 and were unrecorded. The lift of the ban in 1988 and the elimination of the export tax in late 1988 encouraged more formal exports and therefore more recorded exports from 1988. Actual total exports having not really declined between 1985 and 1988, the Naira devaluation by reducing to some extent the demand from Nigeria increased the supply in the domestic market with a consequent reduction in domestic prices in 1989.

In either case, the contribution of the export tax reduction to livestock export between 1988 and 1989 is rather limited or nil.

Conclusion

The comparative statics analysis above suggests that the reduction of export tax had short term impact in 1989-1990 on the onion and cowpea subsectors, but no significant short term impact on the skins & hides and livestock subsectors.

The net economic welfare gain of the export tax elimination to Niger

The net economic welfare or income gain of the export tax elimination to Niger is equal to the Nigerien producer surplus due to the increase in export minus the decline in Nigerien consumer surplus due to the increase in domestic price (area of the shaded trapeze A in Figure 3.1), plus the income earned by Nigerien traders, transporters and others within Niger as a result of the increase in quantity exported (rectangle B in Fig 3.1..), minus the tax revenue foregone by the government (rectangles C and D in Fig 3.1) It can be estimated as:

$$NEWG = Xo\,(P1n - Pon) + .5\,(X1 - Xo)(P1n - Pon) + m[a(X1 - Xo)] + b[m(1-a)(X1-Xo)] - ToXo$$

Where NEWG is the net economic welfare gain generated by the given subsector; Xo is the original quantity exported in presence of the tax; X1 is the new quantity exported in absence of the tax; Pon is the producer. price in Niger in presence of the tax; and P1n is the producer price in Niger, in absence of the tax; m is the average marketing margin (cost and profit) per quantity unit exported to the foreign markets, and factor (a) is the share of the additional export handled by Nigerien traders and transporters, with $0<a<=1$; factor (b) indicates the proportion of marketing margin spent in Niger by non-Nigerien traders and transporters, and the last term (ToXo) indicates the tax revenue foregone by GON..

Applying this to the increased export of onion (36,896 tons) between the 1988/89 and 1989/90 seasons in Niger suggests for an average producer price increase of 2.5 Cfa (Table 3.7), for an average marketing margin of 73 Cfa/kg for export from Galmi to Abidjan (Lev and Gadbois, 1989:56), and assuming that two thirds (66%) of the export is handled by Nigerien traders and transporters, and assuming that non-Nigerien traders and transporters spend 30% of their marketing cost within Niger (fuel, food, wages, fees, etc), Niger earned during that one-year period over 2.1 billion Cfa worth of gross economic surplus as a result of the export tax reduction. This however needs to be compared with the export tax foregone by GON in order to assess the net economic welfare or income gain to Niger. Assuming that the export tax were not reduced, total onion export might have remained the same as in 1988/89 (23,668 tons), in such conditions and given an effectively foregone tax of 12 Cfa/kg (Table 3.1), GON would have earned a tax revenue of about 284 million Cfa which would have in fact been extracted from foreign consumers' surplus (rectangles C and D in Fig 3.1). Consequently, the net income gain to the Niger economy would have been over 1.8 billion Cfa for one year in the onion subsector alone. The onion subsector's income gain alone appears even greater than the total export tax receipt of GON from agro-pastoral exports in 1988 (about 1 billion Cfa, see Table 4.2).

The same approach could be applied to the cowpea subsector, unfortunately data on marketing costs and margins in the subsector were hard to come by.

Figure 2.1 Expected Effects of Export Tax Elimination in Niger and Outside Niger

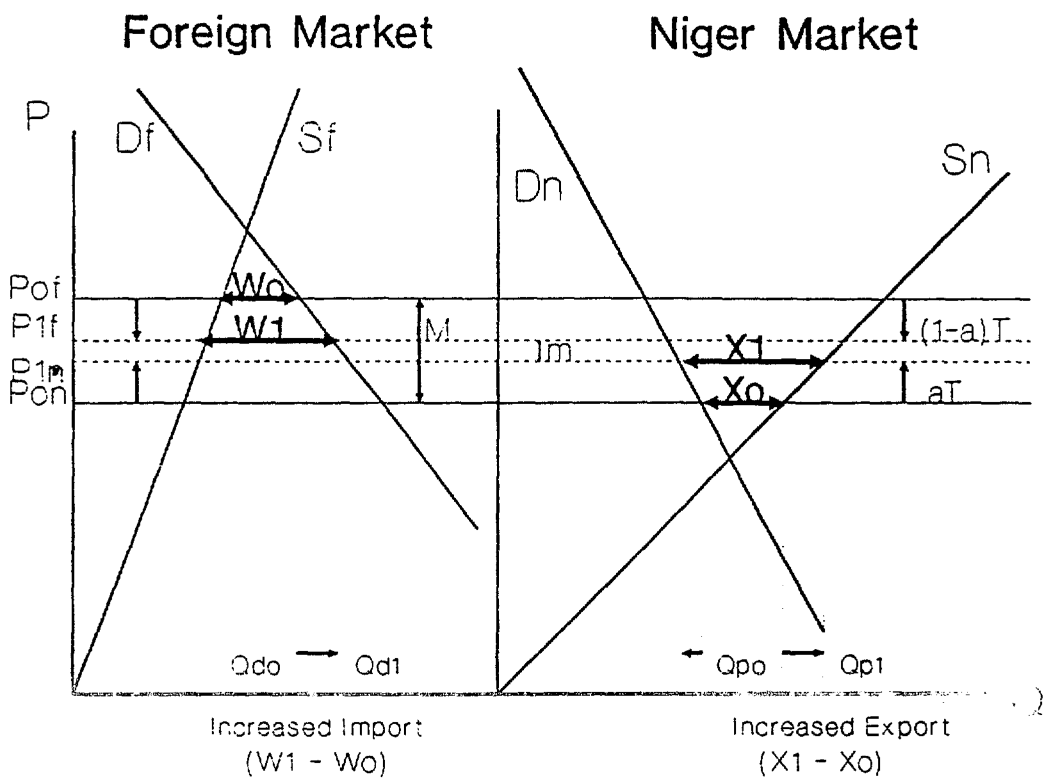

Figure 3.1: Economic Welfare Gains of the Export Tax Elimination

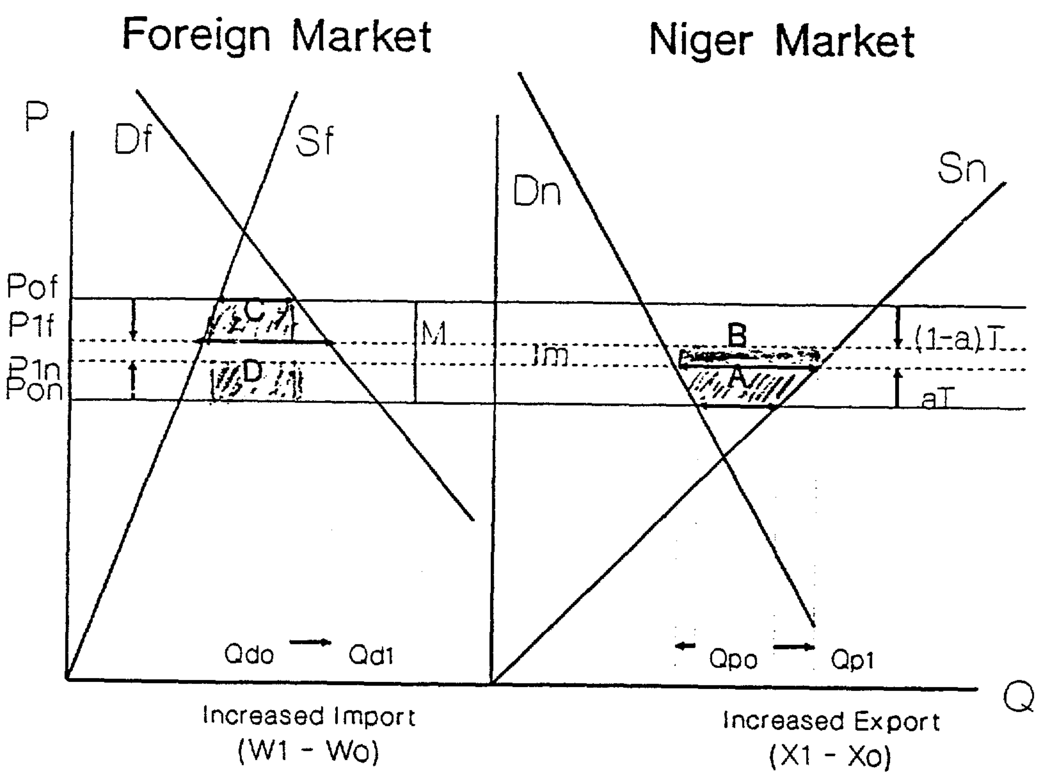

Table 1.1 Export Taxes on Agro-Pastoral Products Jan 1987 - Oct 1988

Product	Unit	Official Tax Rate per Unit Jan 87 to Oct 88	Post- NEPRP Tax (Statistical Tax) from 1989
Cattle	Head	5,600 CFA	3% of VM
Sheep	Head	1,000 CFA	3%
Goats	Head	600 CFA	3%
Onion	Kg	20 CFA	3% (0.9 to 1.4 Cfa
Cowpea	Kg	20 CFA	3% (1.2 to 1.8 Cfa
Hides and Skins	Value	(12 + 3)%	3%
Groundnut	Value	(20+3)%	3%

Source: NEPRP Concept Paper. VM = Valeur Mercuriale

Table 1.2 Taxes and Illicit Payments on Onion Exports from Niger (Galmi) to Abidjan

Year	Illicit Payment, CFA per Kg (Estimates) * Niger Outside Niger	Effective Export Tax , CFA per Kg ** Niger Outside Niger	Total Taxes CFA per Kg Niger Outside Niger
1988	4.5	14	18.5
1989	4.5	0.9	5.4
1990	3.2	0.9	4.1
1991	9.4	1.3	10.7
1992	17	1.4	18.4
1993	17	1.4	18.4
1994	8.3		?

* Based on survey results shown in section 5 below.
** Effective tax obtained by dividing tax revenues by quantities exported (Table .)

Table 3.1: Rainfall , Exchange Rates and GDP in Niger, 1987 - 1992

Year	Rainfall (mm) and days of rains				Bilateral Real Exch Rate Index Cfa/N (1985=100)	GDP Billions CFA (Nominal)	
	Niamey	Tahoua	Maradi	Zinder		Total	Rural
1987	•381 (43)	272 (35)	314 (36)	220 (29)	531	671	236
1988	529 (43)	316 (42)	552 (48)	529 (43)	406	679	240
1989	594 (31)	362 (46)	585 (35)	328 (33)	422	695	237
1990	508 (37)	322 (40)	397 (38)	264 (33)	469	675	238
1991	443 (47)	496 (49)	434 (46)	284 (49)	460	657	246
1992	641 (57)	333 (46)	607 (51)	391 (42)	531		

Figures in parentheses are the number of days of rainfall
Source: Bulletin Statistique, No 137 &138, Juillet 1994, GON.The bilateral real exchange rate index CFA/Naira is derived from IMF Niger Staff Report SM/93/173, page 126.

Table 3.2: Official Entry into the Trading and Transport Sectors

Year	Nb of licensed Traders	Nb of licensed Transporters	Nb of newly registered Pick-ups	Nb of newly registered Trucks
1987	n.a	n.a	511	166
1988	n.a	n.a	504	134
1989	n.a	n.a	438	134
1990	351	n.a	255	78
1991	n.a	n.a	514	191
1992	n.a	n.a		
1993	339	n.a		

Source: Guichet Unique for the number of licensed traders; Bulletin Statistique 1993 for the number of registered vehicles

Table 3 3: Production of Agro-pastoral Products (in thousand tons)

Year	Cowpea	Groundnut	Cotton	Rice	Onion	Cereals
1984-88	224*	n.a	n.a	n.a	73.0*	1,646*
av	302	12.9	8.6	52.9	104.5	2,331
1988						
	320.5	25.5	5.9	68.6	123.5	1,757
1989	215.5	15.8	n.a.	56.3	220.0	1,958
1990	461.2	45.8	n.a.	70.8	169.0	2,379
1991	402.3	57.1	3.1	n.a.	196.0	2,171
1992	424.8	45.6	n.a	9.7	n.a	2,079
1993						
	364.6	38.0	4.5.	51.4	170.8	2,069
1989-93av						

Source GON-NEPRP Performance Reports. (*) Figures from Hardy et al, 1992, p 51.

Table 3.4: Livestock and Production of Skins and Hides

Year	Cattle (heads)	Small Ruminants (heads)	Cattle Hides (pieces)	Skins of Small Ruminants (pieces)
1988	1,563,000	7,426,000	156,207	2,225,900
1989	1,625,000	7,791,000	171,261	2,833,404
1990	2,403,850	10,686,200	167,474	2,228,470
1991	2,514,300	11,212,400	173,487	2,242,558
1992	1,872,100	8,851,100	179,636	2,240,217
1993	1,959,263	9,323,885	NA	NA
1989-93 Averag	2,074,903	9,572,917	172,964	2,386,165

Source: GON-NEPRP Performance Reports.

Table 3.5: Exports of Agro-pastoral Products from Niger

Year	Cowpeas (tons)	Onions (tons)	Skins & Hides (tons)	Cattle (heads)	Green Beans (tons)
1984-88 Avg	5,380*	15,092*	1,247*	41,570**	NA(small)
1988	6,266*	21,262*	566*	5,750**	
1988/89	17,640	23,668	857*	21,818**	50
	32,150	60,064	1,000	37,950**	744
1989/90	28,006	26,797	394	70,125**	1,191
1990/91	26,910	20,313	223	85,803**	1,913
1991/92	23,000	36,000+	63	76,014	164
1992/93					
	25,541	33,368	441	58,342	812
1989-93 Avg					

Source: GON NEPRP Performance Reports.; (*) Figures from Hardy et al, 1992, p 46 (**) Figures from Zalla, 1993, p.10. (+) Figure from Arnould and Mahatan, 1994, p. 13 (Apendix) Exports are from October of one year to September of next year

Table 3.6: Exports of Onion from Niger, from 1988 to 1993 (Metric Tons)

Destination	1988	1989	1990	1991	1992	1993
Algeria	83	99	32	21	-	-
Burkina F.	1,371	702	1,538	126	824	n.a
	1,313	16,113	21,825	16,743	12,986	n.a
Cote d'Iv	2,472	3,612	3,365	4,523	2,918	n.a
Ghana	1,456	1,717	2,333	1,207	1,787	n.a
Togo	1,877	2,225	2,661	3,111	1,686	n.a
Benin	476	2,574	261 (?)	1,062	108	n.a
Nigeria						
Total	20,857	27,224	32,060	26,796	20,202	36,000

Source: Arnould and Mahatan, 1994, p. 13 (Appendix)

Table 3.7: Dry Season Onion Producer Price in Niger .

Year	Minimum Cfa/Kg	Maximum Cfa/Kg
1984-85	45	50
1985-86	30	40
1986-87	30	40
1987-88	30	35
1988-89	20	30
1989-90	20	35
1990-91	25	50

Source: Arnould and Iddal, p. 87

Table 3.8: Retail Prices of Onion in Nger (Cfa/kg)

Year	Niamey	Tahoua	Maradi	Zinder
1988	198	91	140	145
1989	189	127	131	114
1990	150	103	115	80
1991	118	125	81	118
1992	182	n.a	257	133
1993	122*	n.a	n.a	79*

Source: Bulletin Statistique, 1993; * = First six-month data.

Table 3.9 Retail Prices of Cowpea , Cfa/Kg

Year	Niamey	Tahoua	Maradi	Zinder
1988	223	200	118	127
1989	154	128	97	97
1990	156	160	157	150
1991	153	156	125	98
1992	119	107	70	72
1993	160*	n.a	n.a	118*

Source: Bulletin Statistique No 137-138, Ministere des Finance et du plan, Niger, 1993

Table 3.10 Prices of Skins and Hides in Niger (CFA/Unit)

Type	Period	Tahoua	Maradi	Zinder
Cattle	December 1988	3639	4375	3100
		(+6%)	(- 12%)	(- 26%)
	December 1989	3869	3854	2283
Sheep	Dec 88	1192	1131	892
		(-10%)	(- 19%)	(- 11%)
	Dec 89	1070	912	789
Goats	Dec 88	643	711	496
		(+28%)	(+ 4%)	(+3%)
	Dec 89	822	738	507

Source: Mooney et al , 1990 (Skins and Hides Sector Study), P 88

Table 3.11: Prices of Skins and Hides, Sokoto, Nigeria

Year	Cattle Hides CFA/Kg	Sheep Skin CFA/Unit	Goat Skin CFA/Unit
1988	269	1796	2695
	(- 38%)	(-16%)	(- 32%)
1989	167	1500	1833

Source: Mooney et al, 1990, p. 26.

Table 3.12: Prices of Live Animals between Dec 88 and Dec 89 in Niger, CFA/Unit

Type	Period	Tahoua	Maradi	Zinder
	Dec 88	61236	73833	76396
Cattle		(+)	(-)	(-)
	Dec 89	73696	71257	73850
	Dec 88	10560	9801	9003
Sheep		(+)	(-)	(-)
	Dec 89	11018	8952	8280
	Dec 88	5020	5720	5617
Goats		(+)	(+)	(-)
	Dec 89	7584	5821	4716

Source: Skins and Hides Study, P. 88

Table 3.13: Retail Prices of Meat in Niger, Cfa/kg

Type	Year	Niamey	Tahoua	Maradi	Zinder
	1988	688	600	696	738
Beef		(-)	(-)	(-)	(-)
	1989	641	392	537	709
	1988	805	800	657	803
Lamb		(-)	(-)	(-)	(+)
	1989	754	600	550	808

(+) =increase; (-) = decline. Source: Bulletin Statistique, 1993.

4. Effects of the tax reductions on the goal and purpose indicators

Increases in and Diversification of Exports

The available exports statistics suggests an increase in exports within the cowpea, onions and cattle sub-sectors. Exports of these products have on average increased between the 1984-88 and 1989-93 periods. During the 1989-93 period, exports of cowpea and onions increased in 1989 over 1988, doubled at least in 1990, then declined in 1991 and 1992. Cowpea exports continued to decline in 1993, while onions export recovered. The lowest exports levels between 1989-93 remained however above the 1984-88 average level. The post 1990 declining trends may be related to an increase in domestic consumption of agro-pastoral products as substitutes for some food imports following the decline in revenues from uranium, and the subsequent economic and civil service salary crises that worsened from 1991 on. They may also be related to an uprise in illicit enrichment on the roads in 1991 and 1992. In the case of cowpea , the declining export figures may just reflect operational difficulties of SONARA, the main parastatal which used to handle most of cowpea and groundnut official exports at the time. It should be noted that according to Rassas et al (1989:23), unofficial cowpea exports amount in general to over 50% of total production.

Livestock exports, according to the estimates of the Statistical Services of the Nigerien Ministry of Agriculture and Livestock, cited by Zalla (1993:9), were very low in 1988 (less than 6,000 heads) and increased gradually afterwards to reach about 80,000 heads in 1993. As previously mentioned, such a trend reflects a gradual recovery from the 1983/84 drought and the 1985-86 ban on livestock export. The average level of export reached during the 1990s (over 58,000 heads per year), remains nonetheless higher than the 1982 pre-drought record of about 52,000 heads. On the other hand, livestock export figures provided by GON in its NEPRP performance reports were surprisingly higher than those from the Livestock Department. The reports suggest about 34,000 heads exported in 1988/89, over 860,000 heads exported in 1989/90, over 365,000 heads exported in 1990/91 and over 130,000 heads exported in 1991/92. Such figures if true would suggest a tremendous impact of NEPRP on livestock exports, but they probably include transhumance to a large extent, and to some extent shift into official channels of previously unofficial exports.

The skins and hides export sector apparently failed to expand, although there may be some unrecorded trade with Nigeria. The reason for the decline would be, as previously mentioned, a sharp drop in European (Italian) demand for the Nigerien skins and hides following the close-down of the SNCP and failure of the private sector to keep up with quality requirements of the European market. The skins and hides are since being mostly exported to Nigeria which is a thinner market with lower quality requirements. This is a case where paradoxically, the liberalization of the sector through elimination of a monopoly appears to have led to a decline of the sector. This points to the need for sector organization before liberal policy reforms. The sub-sector may however revive in the future as a result of the CFA devaluation and the absence of export tax . A Lebanese operator recently (1995) bought the SNCP facilities in Niamey. He indicated to the team the low tax on export (statistical tax, he paid 60,000 Cfa for two full containers of hides, less than 3% of value) as an incentive for increased exports..

The increase in non-traditional exports such as onions, cowpea and garden produce such as green beans, between the pre-reform and post reform periods, implies an achievement of the export diversification goal of the project as well.

Increases in Export Crop Production and Higher Farm Income.

The production of new export crops (Table 3.3) such as cowpea and onion increased significantly from the pre-reform period (1984-88) to the post-reform period (1989-93). As for traditional export crops, the production of groundnut increased while that of cotton declined.. The prod uction of traditional cereals (millet, sorghum, maize) and of rice, which are not usually exported remained more or less constant. The production of livestock products also increased between the two periods.

Given these observations and the previous price analysis, which suggested some increase in producer price, it can be argued that the reform is most likely to have resulted in higher farm incomes.

A Shift of Trade into Official Channels

If by shift into official channels one means an increase in official business registration, the available data on business registration at the Guichet Unique in each province suggest that this has not occurred. One reason being the relatively high registration cost in money ,time and administrative harassment; and the subsequent exposure to business tax obligations.

However, a strategy used by businessmen would be for one individual from a given locality to register and use his patent to cover transactions of other traders. He would then declare greater quantities for exportation. This hypothesis is not supported by the import/export intentions at the guichet unique between 1990 and 1992, but is supported by the evidence between January 1994 and September 1994, following the CFA devaluation. The tax elimination, by itself, then had no effect on business transaction registration.

Table 4.1: Business Registration and Import/Export Intentions Recorded at the Guichet Unique

Period	Nb of Registered Import/Export Operators	Total Value of Intended Export (millions CFA)	Total Value of Intended Imports (millions CFA)	Total Value of Intended Reexportations
Oct 90 -Sept 91	351 (12months)	26,976	44,814	2,781
Jan 92 -Sept 92	n.a	21,297	20,873	627
Jan 94 -Sept 94	254 (9 months)	76,355	44,136	2,932

Source: Guichet Unique, Chambre de Commerce, Niamey.

If by "shift into official channels" one means less smuggling and more border crossing at official check points, there is evidence that the reform had such impact. For instance, the rising trend of onion export through customs at Galmi from November 1988 through August 1991, as reported by Ouedraogo (APAP II Technical Report No 119; 1991, P. 17) supports such a view.

Higher GON Revenues

According to the available data, provided by GON in its NEPRP Performance Reports, GON has been loosing about one billion CFA (4.25 million dollars) per year in export tax revenue between1989 and 1993, compared with export tax revenues of 1988. Most of the loss arose from the elimination of the export tax on onions, cowpea and livestock, in a declining order of importance. The export tax revenue loss in five years (1989-93) has already amounted to the total cash transfer obligated under the project until the sixth tranche. The lack of additional business registration during the post reform period, probably did not allow GON to tax the business gains that might have accrued from the increases in agro-pastoral exports. The reason for lack of additional business registration being the high implicit and explicit registration costs.

However, one would also expect the increase in income from exports to result in an increase in imports, and since import taxes have not been eliminated, the export tax revenue loss should be offset to some extent by an increase in import tax revenue. all other things being held constant. The average import elasticity of export for Niger over the 1987-1992 period has been estimated by us to be about 0.4, that is a 1% increase in total export revenue resulted on average in a 0.4% increase in total import value, which should translate into an equivalent increase in import tax revenue. An analysis of the export, imports and tax revenue statistics of GON suggests that over the same period , 1 CFA of export revenue contributed on average to 1.29 CFA of import spending which in turn generated 0.22 CFA of import tax revenue (Bulletin Statistique, 1993, P.34; Commerce Exterieur 1991-1992, P.8; Compte Economique de la Nation, 1992, P. 24). The average annual increase in export revenue from onions, cowpea, cattle, and skins & hides over the 1989-93 period, compared with the 1984-88 period was estimated to be about 5.4 billion CFA per year, which would then contribute to about 1.2 billion CFA in import tax revenue per year (see Table 4.2). Assuming that the statistics are realistic, then the annual increase in import tax revenue due to NPRP would more than offset the decline in export tax revenue per year..

Overall, GON total tax revenue on international trade and transactions (both import and export) increased from CFA 22.1 billion in 1988 to 27.3 billion in 1990 and then declined to 18.0 billion in 1992, with most of this decline being due to declines in import taxes and duties related to declining real income.

Table 4.2 Government Tax Revenues on Agro-Pastoral Exports (1000 CFA)

Year	Livestock	Skins & Hides	Cowpea	Onion	Other	Total
1988	328,489	44,201	352,734	473,368	38,426	1,237,218
1989	24,549	8,633	21,164	21,302	6,081	81,729
1990	59,392	15,590	37,730	53,830	5,548	172,090
1991	118,000	16,083	50,087	35,151	8,098	227,419
1992	167,223	8,589	66,438	27,423	13,188	282,861
1993	91,524	2,219	3,980	13,560	3,668	114,951
1989-93av	98,138	10,223	35,880	30,253	7,317	175,810
Av. GON Export Tax Revenue Loss per year, 1988 vs 1989/93	-230,351	-33,978	-322,481	-443,115	-31,109	- 1,061,408
Av. GON Import Tax revenue Gain from increase in export revenue per year	+265,668	-29,612	+474,684	+474,401	- - -	+ 1,185,141

Source: NEPRP performance reports submitted by GON to USAID/Niger

Notes: Estimates of import tax revenue gains are based on the export statistics in Table 3.5, on Zinderi market prices for cowpea (Table 3. 9), on Tahoua market prices for onion (Table 3.8); on average 1989 cattle prices across localities (Table 3.12); and on 1989 hides/skins prices at Sokoto (Tables 3.11). Figures are annual gains of 1989-93 over 1984-88. It was assumed that 1 CFA of export tax revenue generates 0.22 CFA of import tax revenue.

B. Improvement of Transport and Trading Sector Regulations

Of a total of thirty seven (37) conditionalities, eleven (11) were designed to improve the transport and trading sector regulations so as to reduce related transaction costs and foster near perfect competition in the trading and transportation sectors of agro-pastoral products.

The conditionalities aimed at the following

(1) Simplification of licensing and all constraining administrative procedures, including elimination of professional card, for livestock and skins and hides exports.

(2) Design and promulgate a Charte des Contribuables for the business community

(3) Eliminate all trading and transportation monopolies or monopsonies in the agro-pastoral sector.

(4) Disseminate information on new regulations

(5) Undertake transport sector study, select and implement suggested policy options

(6) Apply law to simplify custom tariffs

(7) Design and adopt an agricultural marketing program

Whether these conditionalities had any impact would first depend on to what extent they have been implemented.

1. The Trading Sector regulations

As previously noted by the AMEX evaluation team, the export licenses eliminated in July 1990, have been replaced by an almost identical set of procedures for obtaining the fiche d'enregistrement statistique at the Guichet Unique. The exporter must:

1. Purchase the *Fiche d'Enregistrement Statistique* in two or three copies (depending on the foreign exchange implications of the export). Each copy costs 2,000 CFA and must carry a stamp tax costing 3,000 CFA.

2. Before submitting the fiche d'enregistrement for approval, the exporter must have at the Guichet a file composed of:

a) Proof of registration on the Registre du Commerce, the equivalent of obtaining a tax identification number. The cost is 5,000 CFA

b) Show proof of payment of the patente, a business activity fee, which has a minimum cost of 435,000 CFA for anyone registering for both import and export activities. The registration cost for undertaking export only varies depending on gross revenue realized the previous year. However, an individual registered during the previous year may within the first three months of the year simply show proof of registration with the office (Contributions Diverses) collecting the patente.

c) Show proof of having paid dues to the Chambre de Commerce. The dues are now, following the CFA devaluation, 50,000 CFA for individual businessmen. For a firm, the dues depend on business revenue.

d) Show proof of having paid dues to the Conseil National des Utilisateurs de Transport (CNUT).The amount to pay is 30,000 CFA for individual exporters, and 50,000 CFA for firms.

e) If a foreigner, show government authorization to engage in the specific activity.

Of the above items (b), (c) and (d) are to be renewed every year.

3. After obtaining the *Fiche d'Enregistrement Statistique*, the business operator must go to the customs office and pay the statistical tax on actual quantity being exported, in case of agro-pastoral export, and obtain a receipt to be shown at customs check points on the way out of the country.

Thus, in terms of the number of administrative steps to go through in order to be able to export legally through the formal sector, there seems to be no difference between the previous export license procedure and the current fiche statistique procedure. The major positive difference would be the decentralization of the process, which now allows businessmen to obtain their fiche statistique in their province rather than in the capital city, Niamey. Consequently, a decline in business registration transaction costs might have occurred for the average exporter and resulted in a greater incentive to register. and enter into the formal trade sector. However, as previously pointed out, the advent of the fiche statistique has not been followed by any increase in official business registration. This suggests that the impact of the change in trade regulations on the project goal and purpose indicators must have been nil or very limited.

2. The Transportation Sector Regulations

Regarding the transportation regulations, most of the 11 steps required for entering the sector and described by Kulibaba (1991) seem to remain in effect, theses are:

1. Accord de Titre de Transport
2. Autorisation d'Achat (no longer necessary since 1989, according to GON)
3. Certificat de Vente/Legalisation
4. Certificat de Mise a la Consommation
5. Proces Verbal de Reception
6. Immatriculation
7. Vignette
8. Patente
9. Visite Technique
10. Insurance
11. Contribution to CNUT

In addition, a 12th step has been recently introduced due to the fact that all newly imported trucks are second-hand vehicles imported from abroad.

12. An Interpol Certificate, to prove that the vehicle has not been stolen at its point of origin.

As pointed out by Kulibaba (1991), the annual fees and charges related to the first eleven steps range from 600,000 CFA for a 10-ton truck, to over 1,000,000 CFA for a 30-ton truck.

The lack of simplification of the regulations may explain the lack of any increase in the number of trucks newly registered in Niger, as mentioned earlier. The simplification of the regulations required by the CPs having not been fully implemented, one may logically conclude that the related CPs had no direct impact on the project goal and purpose indicators.

Although the regulations may constrain a legal entry into the transportation sector, they do not necessarily constrain entry into the sector, either illegally by skipping some of the steps and be willing to pay bribes to government officials when necessary, or by registering the vehicles in northern Nigeria where regulations are fewer and less costly (Kulibaba, 1991)..

Furthermore, there seems to be some resistance within the Nigerien private sector itself against the liberalization of the transportation sector. During a meeting with officials of the Syndicat des Transporteurs de Marchandises du Niger, the evaluation team was told that the Syndicat was against a liberalization of the sector that would result in transporters competing freely to provide services to traders with no price or quota restrictions.

The views of the Syndicat were as follows: "Such a competition would only benefit the most powerful and richer transporters while forcing out the weaker and poorer ones. Eighty percent (80%) of the current transporters would be forced out by a liberalization of the sector. Thus, for equity reasons, the Syndicat, in order to protect the interest of all its members, would oppose any such type of liberalization of the transportation sector". Officials of the Syndicat also pointed out that: " several conditions must be fulfilled before any liberalization; the most important being the availability of credit to purchase brand new trucks. Since 1982, no transporter in Niger has acquired a brand new truck because of their high costs, out of reach of most transporters. Only used trucks are being purchased and the number of trucks per transporter has been declining, because many trucks are being abandoned as their repair costs exceed their expected returns. The result is a shrinking motor park that may progressively lead to the death of the transportation sector." The Syndicat further argued that " Donors should assist by helping to provide credit to the sector".

The views of the Syndicat thus also confirm that the transportation sector liberalization CPs have had no significant impact on the project goal and purpose

3. Impact of improved transport and trading sector regulation

The NEPRP conditionalities for improvements in transport sector regulation to ease entry to the sector and reduce regulatory cost appear to have had a minimal impact to date. This is largely because other constraints are more binding, such as illicit enrichment and the current surplus capacity in the trucking industry due to macro-economic constraints. The structural problems of the transport of agro-pastoral products in Niger are not a problem of complex procedures or regulations; entry in the sector is free [Caprio,1993:57]. One possible exception confirmed by 1995 field interviews is Kulibaba's [1991:99] suggestion that the Chamber of Commerce related regulatory requirements limit the entry of small independent operators in many sectors.

An onion farmer we interviewed on the Maradi road in February 1995 indicated that he had several truckers waiting in line to ship his produce. He appeared to deal directly with the traders in an open and competitive fashion which confirms the conclusions of Caprio. A Nigerien onion trader interviewed in Abidjan in December 1995 cited very high illicit payments in Cote d'Ivoire as a major constraint. This trader noted that trucking rates from Niger to Abidjan had not increased during the first year following devaluation, indicating surplus trucking capacity (see Sidi's notes)

Impact of conditionalities related to regulation of trading skins and hides or livestock also appear to be minimal to date. Kulibaba [1991:98] identified official regulation of trade and transport that continues to provide incentive to clandestine economic activity for livestock trading. However, he concluded that while policy remedies can be readily identified to diminish official levies and transport costs, the problem of reducing livestock production costs presents a far greater challenge to the Sahelian livetock subsector. The lack of information on livestock populations, production, and production costs is a critical constraint to better policy formulation in the livestock export sector. He concluded that if a better informed regional debate on comparative advantage of livestock production established that Sahelian livestock cannot be competitively produced and marketed i coastal West African countries, government and donor support for commercial livestock production and exports will likely decline.

As of 1995 skins and hides traders stated that Nigerien official regulation was not a major constraint to individuals entering the sector. Traders in Maradi said their market prices adjusted quickly to international market price changes and that participation in the sector was very competitive. The devaluation and slightly rising world prices for skins and hides had recently increased interest in this sector. The new skins and hides trader in Niamey that began exporting following devaluation said illicit enrichment was a more important constraint than the official taxes and regulations.

In 1991, Kulibaba recommended several GON revenue neutral liberalization measures that identified as significant barriers to entry in the road transportation business. He concluded that termination of these requirements would introduce more competition to export markets and more transport vehicles for livestock and other commodities. In 1993, Caprio [1993:33] stated that according to transporters and unions' representatives no unofficial payments are made in the course of becoming a transporter and that regulations and the authorizations do not act as a barrier to entry into the transport sector. Except illicit payments, export taxes and regulations were not identified as a constraint to export transportation. Evidence was not available that would link the NEPRP to any changes in the transport sector between 1991 and 1993.

Most importantly, Caprio [p. 47] concluded there was a current excess supply of trucking services, with the exception of vehicles and facilities for export of chilled and frozen meat. Caprio concluded that high transport costs in Niger were due to three factors:
1. trucks in Niger travel less than 30,000 km per year compared to 109,000 km in France, (this is related to illicit enrichment as discussed later)
2. empty backhauls are frequent, (given the nature of high volume low value exports and low volume-high value imports from coastal countries), and
3. heavy taxation of imported transport equipment (24 per cent of trucking costs in Niger compared to 15-20 percent in other West African countries).

Both Kulibaba and Caprio recommended an increased focus on providing better information and higher quality of transportation services that is very important for perishable agro-pastoral products. Specifically, Kulibaba suggested analysis of the effects of monetary policy on competiveness of exports and

In summary, Caprio recommended improving transport services through "professionalization", assisting the GON anti-illicit enrichment campaign, indicative tariffs,

elimination of trucking monopolies, and the constitution of a better information base to improve overall sector operations. He suggested these reforms be pursued in the context of broader sectoral reforms such as the World Bank Second Transport Project, if and when it is implemented. Specifically he suggested that USAID had a decisive role to play in supporting adoption of legislation drafted by the Ministry of Transportation to create a "Certificate of Professional Proficiency" as a condition to be a transporter, which would reduce the supply of transport services but raise the quality of services.
He believed deregulation of trucking prices would complement reduction of illicit enrichment.

The other NEPRP supported improvements in transport and trading sector regulation appear to either not have been implemented or to have had limited impact under current circumstances of surplus transport capacity.

REDUCTION OF ILLEGAL PAYMENTS IN NIGER

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HISTORICAL BACKGROUND TO ILLEGAL PAYMENTS IN NIGER

Since independence in 1961 Niger has gone through several shifts in sources of economic growth, each of which have been related to significant political transitions. Traditionally the major constraints to increasing rural incomes in Niger have been limited agricultural production capacity and small domestic markets. Until the 1968-1974 drought, agriculture was the primary source of growth with groundnuts accounting for 70% of Niger's export revenues. Output of groundnuts reached a peak of 191,307 metric tonnes unshelled in 1967 and dropped to 25,563 tons in 1973/74.

In April 1974, following widespread civil disorder over allegations that certain government ministers were misappropriating stocks of food aid, President Diori was overthrown by the armed forces Chief of Staff, Lt. Col. Seyni Kountché. The Conseil Militaire Supreme was established to rule the country, with a mandate from Kountché to distribute food aid fairly, and to restore morality to public life. An anti-corruption campaign was an important part of the new military government's effort to establish legitimacy.

Uranium ore became the major export in 1973, representing 83% of exports by 1983. Mining increased to 13% of GDP in 1980, but with the decline in world uranium prices fell to 5% by 1990. However, this uranium boom did allow Niger to initiate a $50 million road building campaign in rural areas which physically opened the country for increased export of agro-pastoral commodities to West African markets. Traffic on major agro-pastoral trade routes in Niger grew by 23% annually between 1977 and 1988.

During 1980-1991, GNP per capita is estimated to have declined by 4.1% annually, partly due to a sharp decline in uranium ore exports, a five-fold increase in export taxes, the 1984-1985 drought, and the closure of the land border with Nigeria between April 1984 and March 1986. In the early 1980s the free movement of grain between local markets was restricted and long distance trade was limited. No new means of encouraging economic growth was found other than better management of existing resources through institutional and economic policy reform.

In 1982 President Kountché began to gradually increase civilian representation in the military government and preparations were made for a constitutional form of government. In June 1987, in the first national referendum since independence, a national charter was approved that provided for the establishment of non-elective, consultative institutions at both national and local levels. Following President Kountché's death in 1987 there was a general weakening of government authority and control under President Saibou.

In October 1988, with support from USAID's NEPRP (Niger Economic Policy Reform Policy Program) the GON (Government of Niger) eliminated export taxes on agro-pastoral products. The elimination of export taxes, a relaxation of state authority following President Kountché's death, domestic trade and economic liberalization, and the creation of new road access to coastal markets led to an environment of increasing corruption and illegal payments along the agro-pastoral trade routes in Niger. Independent truckers' and transporters' unions established at this same time were to play a leadership role in reducing illegal payments in a new democratic Niger with freedom of expression for the civil society.

DEMOCRATIC GOVERNANCE, ILLEGAL PAYMENTS, AND USAID ASSISTANCE

Niger is now in an economic transition and period of political instability that will only be resolved when a new source of economic growth is established and political institutions adapt to this new structure. The last fifteen years has been a period of continual opening of local market areas in rural Niger to a wider and more diverse set of market linkages within Niger and within the West Africa region. Beginning in 1984 under the Agricultural Sector Development Grant I, USAID supported liberalization of marketing for inputs and agro-pastoral commodities among local markets within Niger. Under the NEPRP, beginning in 1988, USAID continued to support this expansion of market access for agro-pastoral exporting to markets outside Niger. Elimination of export taxes in 1988 and reduction of illegal payments in the 1990s are two major Nigerien achievements supported by the NEPRP. In the 1990s the sources of growth will likely be a more diversified mining sector and broad-based agricultural growth linked to West African regional trade. Increased regional trade will require sustained reduction of trade barriers, including illegal payments.

Illegal payments at road checkpoints and customs posts in Niger started being reported as a constraint to exports in the late 1980s. Available data indicate that illegal payments were increasing between the interior of Niger and west african markets between 1988 and 1992 (see attached graph). By 1992 the legal and illegal payments in Niger for exports were roughly equivalent to official export taxes in Niger before 1987. If payments in other countries are included, Nigerien exporters may have been paying more in total legal and illegal taxes on their exports to coastal cities in 1992 than in 1988 (see attached graph).

In January 1991 the national workers union declared themselves independent of the national political party. Under pressure from the powerful workers' union federation (Union des Syndicats des Travailleurs du Niger) and students union (Union des Scolaires Nigeriens) the Saibou government allowed the convening of the National Conference from July to November 1991 which created a civilian transition government. One of the key responsibilities of the transition government was to reduce corruption. In 1992 a National Assembly was elected and in March 1992 President Ousmane was elected President in Niger's first multi-party democratic election.

Immediately after being elected, the new democratic government launched a campaign against illegal payments to police and gendarmes and later in 1994 focused on reducing illegal payments to customs agents. The newly elected government also asked USAID to assist them in their campaign to reduce corruption.

In May 1992 this GON campaign included Ministry of the Interior radio messages to local public officials to stop harassment of drivers and a request by the Minister of the Interior for the members of the Truck Drivers' Union to denounce and report corruption. In June this was followed by a Ministry of Commerce decree banning illegal payments. A July letter from the Attorney General stated that he was concerned that road police were ignoring regulations regarding road fines and that in the new atmosphere of democracy citizens were increasingly bringing these abuses to his attention.

In May 1992 USAID conducted a survey among traders and truckers on illegal payments as a constraint to export promotion. The survey found that illegal payments inside and outside of Niger had nearly offset the gains made by eliminating the export tax four years earlier. Available evidence suggests that illegal cash payments between Galmi, Niger and the Burkina Faso border 630 km away had reached 79,000 FCFA in May 1992 for a truck of onions (10 to 35 tonnes). Increased overhead costs for vehicles due to illegal payments are estimated at 27,000 FCFA for this 630 km and loss of produce attributable to delays or loading/unloading associated with illegal payments are at least equal to the cash payments. On this basis the total cost of illegal payments was at least 185,000 FCFA or 7 CFA/kg to ship 25 tonnes of onions to the Burkina Faso border in 1992. This compares to effective export taxes on onions which were increased from 3 to 10 FCFA/kg in 1984 and again to 14 FCFA/kg in 1987. It should be remembered that the illegal cash payments measured in the USAID surveys may represent less than half the total social cost of illegal payments. Since comparable data on these other costs has not been collected, totals and changes referred to in this report and graphs reflect only cash payments.

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In this context USAID offered the GON budgetary assistance of $3.3 million if the GON would "reduce domestic illegal payments to public officials in the trade of agro-pastoral products." By October 1992 when the GON signed the USAID NEPRP conditionality to reduce illegal payments, this issue was a high priority for both public and private sector groups. In November 1992, the Transporters' and Drivers' Unions went on strike over illegal payments and the GON signed an agreement with the unions to reduce the number of road control posts.

In 1993 the campaign to reduce illegal payments to police agents continued. The Minister of the Interior ordered local authorities to reduce Police and Gendarme control posts. In July the Minister of Justice instructed the tribunals to apply corruption regulations. In August a USAID funded national forum brought together transport sector stakeholders to define a transport policy. During this forum the Prime Minister read a letter (see attachment) on national TV ordering his ministers to reduce corruption and illegal payments. This was followed by the appointment of an Inspector General of the Police Service. In spite of these pronouncements, private sector actors saw little progress by the fall of 1993 on reducing illegal payments. The Nigerien Drivers' Union threatened a strike leading the GON to reiterate their November 1992 agreement to reduce road control points. In December 1993 drivers from Nigeria went on strike over excessive illegal payments and the number of control points in Niger.

In February 1994 USAID conducted a partial follow up survey among drivers to ask whether illegal payments had been reduced in the previous year as the GON claimed. Drivers responded that payments had definitely not been reduced. On this basis USAID refused to release payment under the NEPRP claiming the GON had not demonstrated a reduction in illegal payments. The statistical evidence now available suggests that payments to police and gendarmes had actually been reduced, though payments to customs agents had increased to offset this reduction. This uncertainty over whether illegal payments had been reduced or not led to six months of more intensive USAID collaboration and support of GON initiatives in 1994.

In January 1994 USAID mailed 1,000 copies of the key government pronouncements to both the public and private stakeholders throughout the country. This included the Prime Minister's August 1993 letter, the Ministry of Justice's letter, reiteration of public service statutes stating corruption was illegal, the relevant articles of Niger's Penal Code with relevant punishments, and perhaps most importantly a request for acknowledgement of receipt to be sent to the Prime Minister. In March 1994 USAID funded a $57,000 radio/TV publicity campaign in local languages to reduce tax evasion, fraud, and illegal payments.

In April 1994 the unions more vehemently threatened strike action over the failure of the government to reduce the number of road control points. The Minister of Transport and Tourisme sent a letter on April 15 to the Drivers' Union acknowledging that the November 1992 agreement had not been adequately applied. In addition, in a new tone of public service, he committed the GON to do three things: 1) establish a framework of consultation between Forces of Order and different transport sector stakeholders (unions), 2) instruct Security Posts to address only security issues (not collect regulatory fines), and 3) examine a single control point approach for document control.

The intensified 1994 anti-illegal payment campaign was also different in that it included specific actions against illegal payments to customs agents. In April the Customs Director General radioed local officials and prohibited local customs officials from delaying, unloading, or making vehicles backtrack for control purposes. Monitoring of customs agents resulted in the arrest and/or transfer of corrupt agents. In addition the statistical tax of 4.5% on exports was removed in September, which reduced the opportunity for extortion by customs officials.

REDUCTIONS OF ILLEGAL PAYMENTS REPORTED BY NIGERIENS

In August 1994 the GON claimed it had successfully reduced illegal payments and invited USAID to confirm this through a field survey. In response USAID conducted a survey during the two week period November 16-27, 1994 as part of the fourth broader survey of traders and farmers. USAID staff met with representatives of the Drivers' Union in four Nigerien cities to update the baseline data

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collected on illegal payments in May 1992. The drivers said the number of road checks had increased over the past two years, but that the overall amounts they were required to pay had decreased.

Statistical analysis of quantitative survey responses from a wide number of focus group and individual interviews among drivers indicates that total illegal payment in constant 1992 FCFA per traffic weighted kilometer on six agro-pastoral export routes had been reduced by half between the May 1992 baseline and November 1994 follow up surveys (see attached graph). This quantitative survey evidence from drivers indicates there was no change in number of checkpoints on a traffic weighted basis. The data suggests that payments to police and gendarmes on the six export routes were reduced 71% between May 1992 and November 1994 (see attached graph). In contrast, payments to customs agents along export routes increased in 1992 and 1993 before being sharply reduced in 1994, for a net reduction of 22%. Though reported payments to police and gendarmes along import routes declined 52%, customs agents increased collection on import routes allowing them to maintain a relatively constant level of total payments on export and import routes.

In addition to the meetings with the drivers, USAID staff asked 31 traders and farmers questions concerning illegal payments. They were asked to what extent they were aware of a government campaign against illegal payments, how often they encountered it, and whether they felt it had worsened over the last twelve months. Although most traders and farmers interviewed were not directly affected by the changes, 25 were aware of the GON campaign against illegal payments. They heard it on the radio, at the market, and in political party meetings. While all acknowledged the existence of illegal payments in the transport of agro-pastoral as well as other products, only 12 reported illegal payments for their activities. According to seven of these twelve there were less illegal payments in November 1994 compared to one year earlier. Three said there were no changes and two thought there were more and higher payments. Non-Nigeriens may pay higher amounts than Nigeriens due to the fact that foreigners have less leverage in negotiating with agents along the road.

Individuals interviewed attributed the reduction of illegal payments to sensitization work carried out by the GON on the radio in local languages, by political parties, and students from their villages. Members of the powerful students' union asked villagers to report any violation of their rights by civil servants. Clearly this reduction is also a result of the drivers' and transporters' strikes, meetings, and sensitization of their members. Some think that because of this sensitization work, people are more aware of their rights and do not hesitate to argue with government officials and agents. This was not the case before democracy when people were afraid of agents and did not dare to protect their rights even when those rights were violated.

In March 1995 the GON announced it would eliminate all road control checkpoints, while leaving the required security checkpoints. Between March and June, 1995 there was an additional USAID funded local language public information campaign on 1) regulations and sanctions against illegal payments, 2) elimination of the export taxes and license requirements, and 3) current prices of agro-pastoral products and transport costs to markets of Niger and neighboring countries. These continued efforts to better inform Nigeriens will undoubtedly help sustain the reforms accomplished and reductions in illegal payments achieved.

The increase in agro-pastoral export revenue to Niger has contributed to greater imports and consequently to greater import tax revenues for the GON. Reported payments in traffic weighted terms to customs agents on Nigerien export routes declined by 29% while payments to customs agents along importing routes increased 51% between 1992 and 1994. GON total tax revenue on international trade and transactions (both import and export) increased from FCFA 22.1 billion in 1988 to 27.3 billion in 1990 and then declined to 18.0 billion in 1992 (IMF). The conclusion is that after a short adjustment period the increase in import customs tax revenues gains could have equalled the export customs tax revenue loss from elimination of export taxes. The original estimates of the NEPRP cash transfers as budget support to allow the GON to make this transition of reducing export taxes and relying more heavily on import taxes seem to have been realistic. This is a critically important issue that needs additional analysis before firm conclusions can be known.

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ILLEGAL PAYMENTS IN A REGIONAL PERSPECTIVE

On a regional scale, evidence suggests reduction in export taxes and illegal payments inside Niger on the Galmi to Abidjan onion export route have been offset by increased taxes and illegal payments outside Niger (see attached graph). Nigerien onions being exported to Abidjan, Cote d'Ivoire may face higher real levels of taxes and illegal payments now than they did in 1988 before the export taxes were removed. Onions may now regionally face the same real levels of taxes and illegal payments as they did in 1992 before the USAID support to reduce illegal payments in Niger. What the GON has given up in tax revenue and Nigerien public agents have given up by reducing illegal payments has been captured by the governments and agents in Burkina Faso and Cote d'Ivoire. In 1994 Cote d' Ivoire increased import taxes per truckload of Nigerien onions from 170,000 FCFA to 476,000 FCFA (see graph attached) or from 5 FCFA/kg to 14 FCFA/kg.

Trade flows have increased partly because the total indirect cost of illegal payments has declined. The cash cost of illegal payments is small compared to the cost of spoilage due to delays and increased operating costs of vehicles due to wasted time. In Cote d'Ivoire since the early 1990s illegal payments have been formalized as a payment to a private escort company that allows truckers the option of avoiding illegal payments to officials along the road. Drivers pay similar cash amounts to this private escort collection agency rather than agents along the road to avoid the risk of spoilage and wasted time which are more important than the illegal cash payment. These escort fees are reported in 1994 to be 220,000 FCFA in Cote d'Ivoire[1], which are ten to fifteen times the escort fees paid in Togo or Benin for the same distance, can be considered rent paid to gain access to the lucrative Abidjan market.

Ten years ago Nigerien export potential may have been constrained primarily by limited production capacity. Today export potential is increasingly dependent on politically imposed barriers to access to regional markets. Increasing Nigerien exports in the future will require implementation of regional agreements on market access and reduction of illegal payments in other countries in West Africa.

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[1]Olivier, David, "Les Circuits de l'Oignon en Afrique de l'Ouest", CIRAD-FLHOR, February 1995 table page 21

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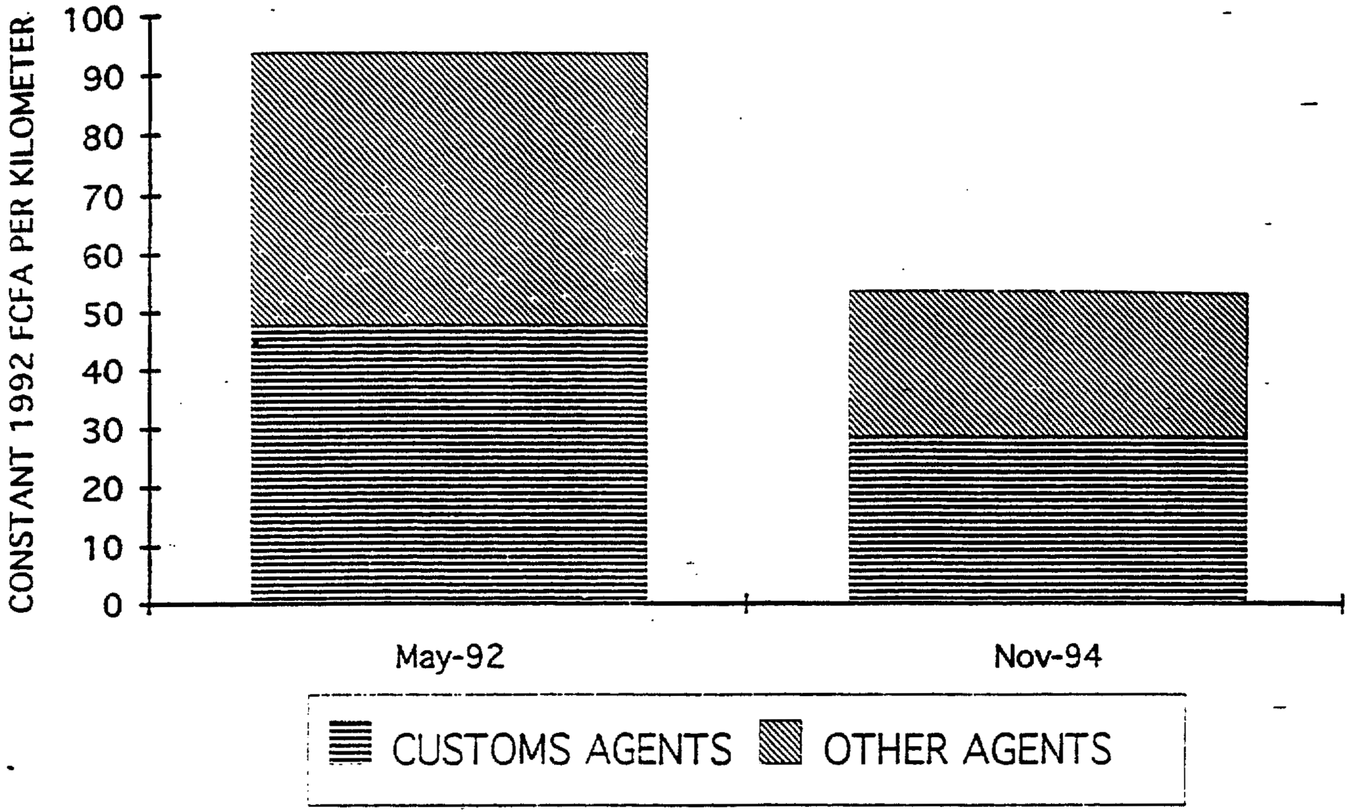
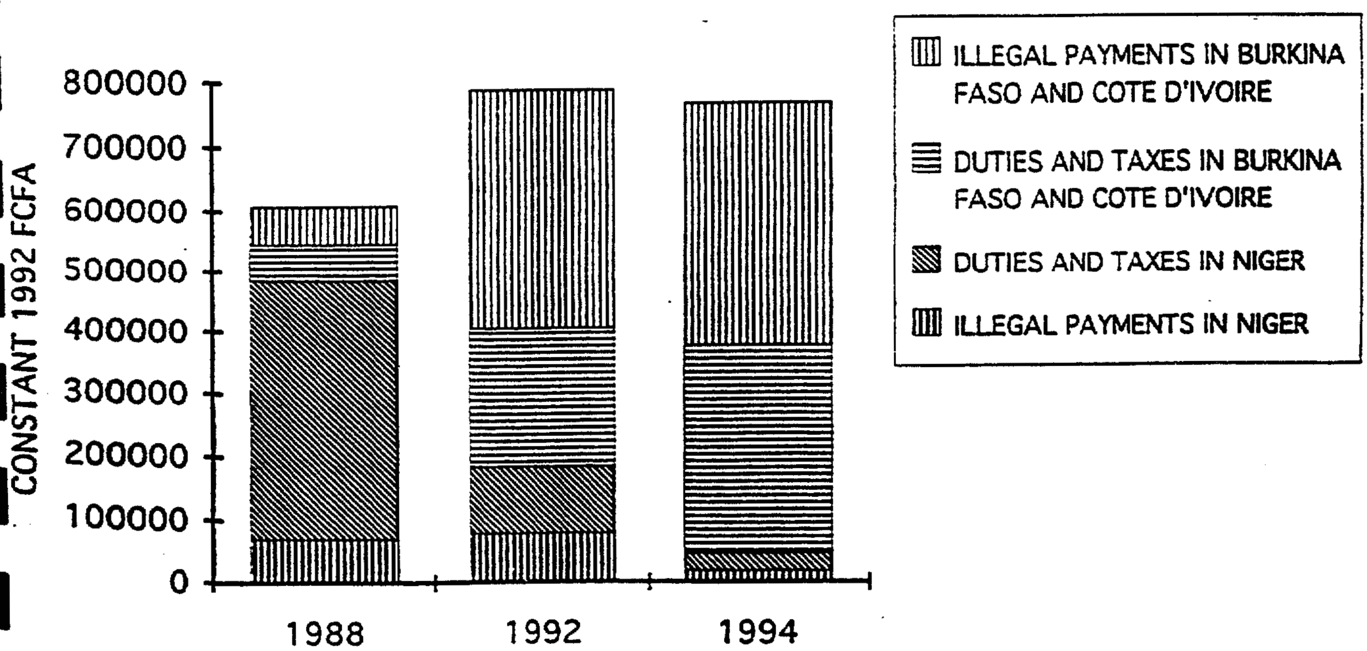
ILLEGAL PAYMENT PER TRAFFIC WEIGHTED KILOMETER AGRO-PASTORAL EXPORT TRADING ROUTES IN NIGER (1992 and 1994 in constant 1992 FCFA)



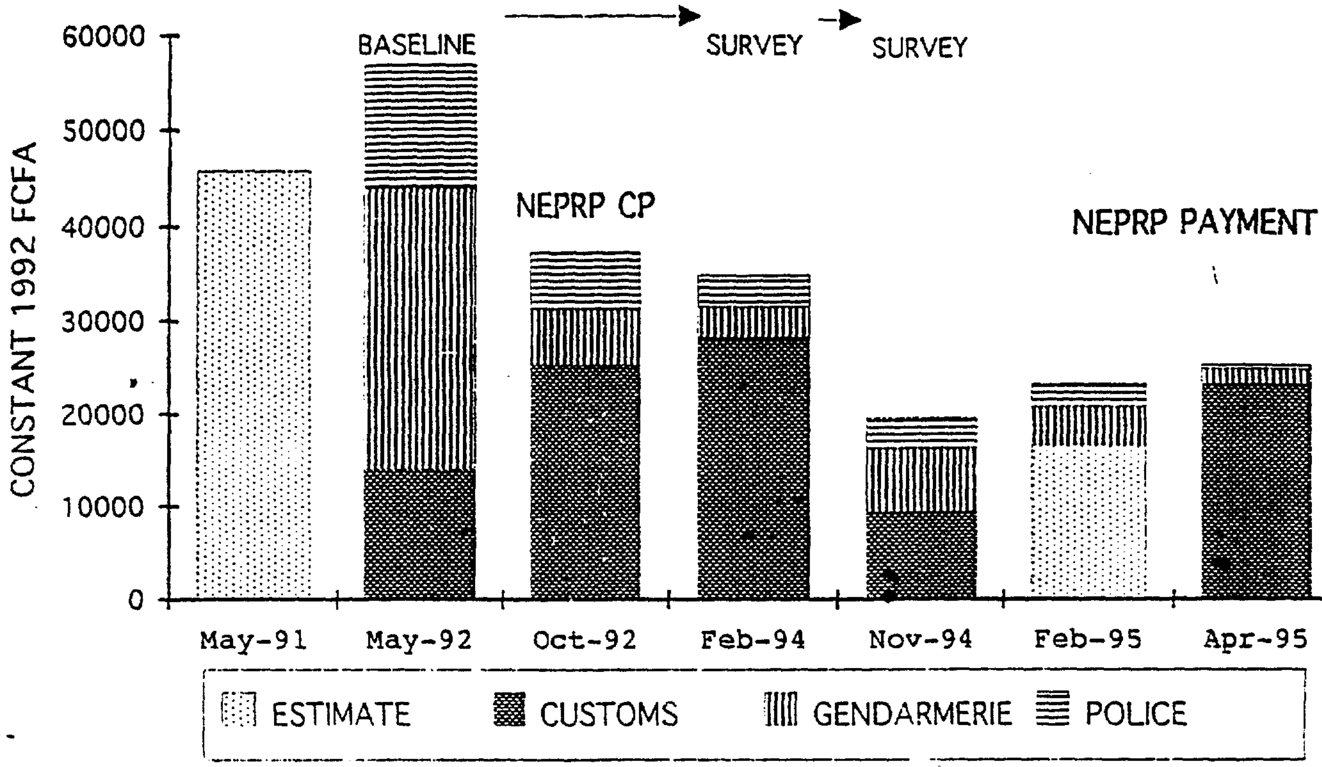
Source: NEPRP Project Surveys

CUSTOMS DUTIES, TAXES, AND ILLEGAL PAYMENTS TO TRUCK 35 TONNES OF ONIONS BETWEEN GALMI, NIGER AND ABIDJAN, COTE D'IVOIRE

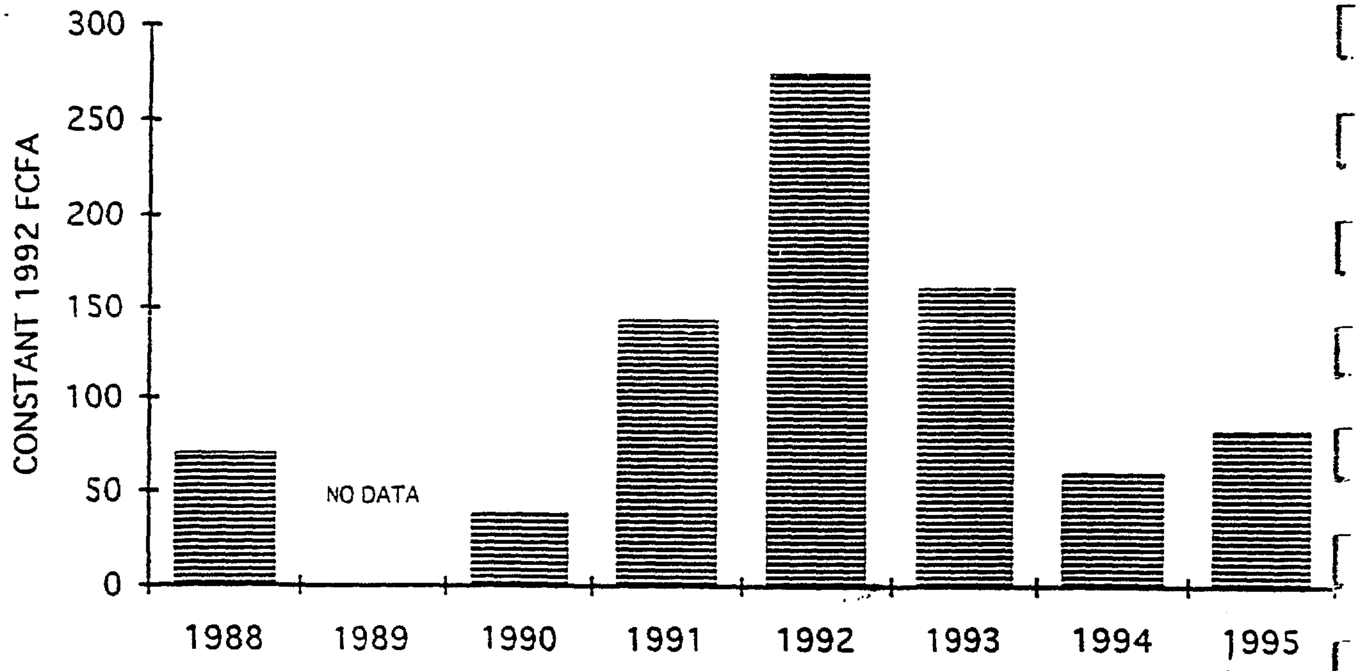


Source: NEPRP Project Interviews

ILLEGAL PAYMENTS REPORTED BY DRIVERS TRUCKING ONIONS 500 KM FROM GALMI TO NIAMEY, NIGER 1991-1995 (constant May 1992 FCFA)



ILLEGAL PAYMENTS IN 1992 FCFA PER KILOMETER BETWEEN GALMI, NIGER AND WEST AFRICAN MARKETS



Source: Selected NEPRP Project Documents

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Using a Democracy/Governance Strategy to Reduce Illicit Payments on African Roads

A Case Study on Niger

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For Discussion at the 2nd annual USAID Democracy Officers Conference, Washington, 24-26 July 1995 - Background draft

I. STATING THE PROBLEM

For the past twenty years regional trade has experienced an impressive growth in the West African region. However illicit payments at the numerous police and customs checkpoints remain a serious constraint to the full-fledged development of regional transactions.

Illicit payments are primarily a transfer of resources from the private sector via transporters and marketing agents to public officials. In addition to the resource transfer there are also direct real economic costs imposed on the transport and trading sectors by illicit payments, including: first, the cost of time wasted, second, the underemployment of productive resources due to price distortions, and third, the post-harvest loss of produce during transit which takes longer due to stops required for illicit enrichment.

For the past five years there has been a real democratic upsurge in the region which has led to a renewed vitality of the civil society. This latter offers the opportunity for organizing at the grassroots level opposition to daily public officials abuses such as illicit payments on African highways.

In the specific case of Niger it could be expected that the strengthening of the civil society through a D/G strategy of training, information dissemination and empowerment of the Syndicat des Transporteurs et du Syndicat des Conducteurs, will help to achieve a sustainable environment against illicit cash payments on the country's highways.

II. BACKGROUND TO UNDERSTANDING ILLICIT CASH PAYMENTS ON WEST AFRICAN ROADS

The origins of intra-regional trade in West Africa go back to the Middle Ages (IXth through the XVIth century) when vast multi-ethnic empires dominated the Sahel. The bulk of the trade was across the Sahara and reached far south to the fringes of the forested areas. The slave trade and later on the colonial system changed the direction of trade to the outward vertical one, that is from the hinterland to the coastal zone before exportation to the Americas and Europe. For fifteen years after independence trade directions remained largely unchanged.

The creation in 1975 of the Economic Community of West African States (ECOWAS) began to change all that. First the ECOWAS Treaty provides for the free movement of nationals of member States up to a period of three months without a visa. Second a vigorous and sustained policy of inter-state highways construction and upgrading was initiated by all the member states, which hence makes it possible to link Lagos to Abidjan, Cotonou to Niamey or Ouagadougou, and Abidjan to Bamako (1,000 kms each way) in less than 20 hours.

Then the following factors helped to boost intra-regional trade in West Africa:

* a fast growing informal sector as a response to the economic crisis and unemployment

* growing number of/and expanding urban centers, especially along the coastal zone, therefore increased demand for basic food commodities and light consumer goods.

* existence of several national currencies with unequal exchange rate to the dollar, which create unequal production costs.

Such new opportunities could have made everyone happy, especially the traders and the consumers, if it were not for the problem of illicit cash payment to public officials on West African highways. It has become a real constraint on the full-fledged development of regional trade and permanent source of harassment of traders. The worst is that illegal practice is being virtually "legitimized and institutionalized" throughout the region. It may have gotten out of control in some countries such as Nigeria, while discrete in others, yet it is becoming a plague. The following lines written by an Ivoirian journalist who travelled along the West African regional highway depict well the situation.

> *"Il est 18h 30 quand le car Sotrabia-Express quitte le poste-frontiere de Noe pour Aboisso. Plus de tois quarts des passagers sont des commercants. Une dame se leve et demande des cotosations exceptionnelles pour 'les douaniers'. Un homme, la trentaine, proteste et brandit une feuille rose. "J'ai deja dedouane ma marchandise, je ne sais pas pourquoi je dois cotiser." Les dames, les plus nombreuses, l'arretent net en exhibant, elles-aussi, la feuille rose, chacune. "Monsieur, on voit que vous etes nouveau. Ici, on ne reconnait pas les quittances. Policiers, gendarmes, meme les Eaux et Forets, tout le monde devient douanier pour prendre de l'argent, il faut cotiser."*

[La Voie, N. 1127 du 28 Juin 1995]

II. REDUCING ILLICIT CASH PAYMENT ON NIGERIEN HIGHWAYS -- The role of the civil society.

A. The politics of liberalization of the agro-patoral sector

Harsh climatic conditions and a limited domestic market have always posed a constraint on increasing agro-pastoral production and farmers income in Niger. Moreover until recently different policies initiated by the Government of Niger (GON) aiming at controling the prices and the export of agro-pastoral products, have prevented producers from benefiting from the opportunity of a larger West African market. However in the 1980s, because of the fall in the price of uranium, the country's main export earning, the GON was willing to liberalize the agro-pastoral sector.

The sustainable expansion of export markets requires a set of economic policies and institutional arrangements that assures the allocation of Niger's productive resources on the basis of its comparative advantages. With the support of USAID/Niger GON has agreed to initiate a series of policy reforms under the Niger Economic Policy Reform Project(NEPRP). The different policy reforms were to last 1988 through 1995 and can be grouped in the following categories:

1. Elimination of the export taxes on agro-pastoral products;

2. Reduction of illegal payments to public officials in agro-pastoral trade;

3. Improved transport and trading sector regulation;

4. Export promotion and strengthening regional trade relationhip in West Africa; and

5. Increased public dissemination of agro-pastoral market information.

The first three policy changes were met largely through actions taken immediately upon signing the agreement between USAID and GON, for reasons external to the NEPRP conditionality. The dollar value of the NEPRP was calculated to offset GON revenue losses during the first three years after taking these policy reforms.

Of interest to us is the second CP (Condition Precedent). Our main hypothesis is that the sustainability of CP2 will largely depend on the strengthening of the civil society. Before we analyze the evolution of illicit enrichment following the initiation of NEPRP, it might be helpful to shed some light on the nature of the Nigerien civil society.

B. The Nigerien civil society: past and present

The origins of the modern Nigerien civil society go back to the period preceding independence when Africans were allowed by the colonial admnistration to fully participate into politics. While the Djerma-based Parti Populaire Nigerien (PPN) of Hamani Diori was elitist, its opponent Djibo's Bakary's Union Democratique Nigerienne (Sawaba) tried to reach out to the grassroots by relying on traditional associations such as the Samarya (youth associations) and the Sana (handcraft associations). However Diori Hamani who ran the country for the first 14 years put a stop to civil society activities. The Parti Sawaba was prohibited and all of its leaders thrown in jail or forced into exile. To prevent grassroots opposition and to extend his power-base outside the Djerma area, Diori co-opted the traditional chiefs who wield considerable influence among the Hausa.

General Kountche who took over power through a military coup in 1974 further destroyed the Nigerien civil society. The austere General personally ruled the country with an iron fit for thirteen years without any formal institutions hich could relay his marching orders to the grassroots. However beginning in 1982, Kountche initiated a gradual movement towards the creation of a participatory society called **Societe de Developpement**. The process was so slow that by the time of his death in November 1987, very little had been achieved in the field.

When he succeeded General Kountche in 1987, General Saibou was faced with two alternatives: continue the Kountche's iron rule or liberalize his regime. In fac he didn't have much choice. The circumstances at the time gave him little room for political manoeuvering. He was selected to succeed the defunct Kountche only because he was the senior officer in the armed forces. Coming from a small ethnic group, he wielded little influence within the political apparatus and lacked political base. Amid a serious economic and under increasing social pressures, Ali Saibou found himself forced to liberalize his regime. Then the State's authority began to crumble. Between 1988 and July 1991 when the National Conference officially convened in Niamey, the country experienced waves of political protest and a renewed vitality of the civil society.

The next question is wether there exists or not a correlation between the evolution of illicit cash payment on the Nigerien highways and the renewed vitality of the civil society.

C. Analyzing the relatioship between illlicit cash payments and the recent

evolution of the Nigerien civil society.

Illegal payments at roadblock and customs posts in Niger started being reported in the late 1980s. By 1992 the statistical tax and illegal payments in Niger for exports were roughly equivalent to official exports taxes in Niger before 1987. Available evidence suggests that illegal cash payments between Galmi, Niger and the Burkina Faso border 600 km away had reached 79,000 CFA in May for a truck of onions (10 to 35 tons). Increased overhead costs for vehicles due to illegal payments are estimated at 27,000 CFA for this 600 km and loss of produce attributable to delay for illegal payments are roughly equal in value to cash payments. On this basis the total costs of illegal payments was 185,000 in 1992 or 7 CFA/kg for 25 tons of onions.

With USAID suppport GON implemented an effective 1992 and 1993 campaign to reduce illegal payments to police agents and security forces and an effective 1994 campaign to reduce illegal payments to customs agents. Between May 1992 and November 1994, domestic illegal cash payments on exports in real terms were reduced by half and related loss of produce and transport overhead costs were reduced as well.

What could be the relative potency of the role played by the civil society?

From informal survey carried out in February 1995 on the Niamey-Maradi highway, we gathered from farmers, traders, and truck drivers the following evidence:

* The **Syndicat des Conducteurs du Niger** (the drivers union) was created in 1988 shortly after General Ali Saibou took over power. Before then truck drivers were at the mercy of public officials. There was some kind of collusion between those public officials and the rich transporters (the vehicles owners) to keep truck drivers down and from claiming better working conditions. Now thruck drivers, thanks to their newly-created union, have acquired rights which include: vacation, pension, job loss compensation, and prohibition of abusive firing.

* In 1994 truck drivers went on strike to demand for the reduction and rationalisation of the number of police, security, and customs posts on the country's highways. The GON yielded to their pressures and reduced the number of those checkpoints from 200 to 104.

* However too many truck drivers remain ignorant of their rights and know nothing about the GON campaign against illicit enrichment.

The evidence above shows that the reduction of illicit cash payments to public officials is also partly due to the determination of the drivers union to stand up and fight for their rights in a newly-created democratic environment. Moreover a question could raised on wether or not the GON would initiate those policy reforms if it were not for the pressure to bear by international donors including USAID. Indeed NEPRP's first objective was to increase farmers' income via a loss in public sector tax revenue. The end objective as to offset that loss by an increase in legal collection on imports. However the project fell short of strengthening the GON capacity in tax collection. So the final result is that the private informal sector is getting richer while the GON is getting poorer.

For the past three years Niger has been going through an acute financial crisis which has paralyzed the functioning of the State and now threatens the very survival of the democratic process in the country. Already in 1992 there was a military revolt due to a two-month salary arrears. In March 1995 salary arrears were estimated at 15 billion CFA and represented up to 7 month arrears for certain categories of civil servants.

Thus the dualistic character of the Niger' economic and socio-political environment has been further consolidated.

1) On the one hand there is a State-driven formal economy in the Western part of the country, more precisely the Dosso-Niamey-Tilabery axis. It enjoyed a rapid growth in the 1970s due to increased earnings from uranium exports, but today it suffers the most from the country's economic crisis; and.

2) On the other hand to the east there is a booming agricultural and commercial sector along the border with Nigeria. That sector largely functions outside the official channels. Today most Nigeriens depend wether directly or indirectly on that informal sector for their livelihood.

That structural dualism inevitably creates tension between its two components, that is the formal sector vs the informal sector. Thus public officials who have not been paid for months tend to indulge more in predatory rent-seeking practices. On the opposite side there is a more outspoken civil society ready to stand upand fight for its rights. The next question is how, as part of democratic consolidation, to strengthen the civil society and make it capable of resisting the state's totalitarian tendencies. In the specific case of Niger the following D/G strategy could be suggested:

* Strengthening the civil society through a strategy of identification, organization, training, and empowerement of the following two types of associations:

- local organizations which tend to organize around functional interests, such as business, labor and professional associations, or sectorial concerns like the environment, education, and public health; and

- public interest associations whose single purpose is to focus on strengthening democratic governance (human rights organizations, civic education associations, and policy think tanks).

Yet a situation where the State is getting poorer and there is a menace of its withering away cannot, perdure in Niger. It is even possible that if external pressures lessen GON could unravel some of the policy reforms. So there is a need to design a strategy which would help the state to get back on his feet and bee able to pay its civil servants, and to provide much needed basic services such as education and health. The point is that the formal sector is not paying income tax and that the Customs are poorly-equiped to adequately collect import taxes.

IV. THE NEED TO COMBAT ILLICIT CASH PAYMENTS AT THE REGIONAL LEVEL

As pointed out earlier, illicit cash payments have become a widespread practice all over West Africa. The objective of export tax eduction and the different campaign against illicit enrichment in Niger is to give Nigerien farmers easier access to the larger West African markets. However if elimination of an export tax and strategies designed to reduce illicit payments in one country are to be effective and sustainable in promoting regional trade, there should not be contradictory measures taken in importing and transhipment countries. It is necessary to ensure that taxes affecting the exported commodities are not increased in importing countries and countries through which the commodities are shipped on the way to their final destination as a result of the elimination of taxes in the exporting countries. Thus onions from Niger, are exported to Cote d'Ivoire through Burkina Faso. While the NEPRP push for reduction of export taxes in Niger, such payments are reported to have increased in Burkina Faso and Cote d'Ivoire when they declined in Niger. This reduced the impact of policy reform in Niger.

There is need for policy reform coordination at the regional level. One option is to design bi-lateral policy programs with a regional perspective including activities to deal with external constraints. Another one is for donors to push for supranational policy reforms within existing regional arrangements such as ECOWAS or the Francophone Union Economique et Monetaire Ouest-Africaine (UEMOA).

ANNEX 1

COMPLIANCE WITH CONDITIONS PRECEDENT

by Yves-Coffi Prudencio

A. The Program Objectives

The goal of NEPRP has been to achieve "increased and diversified incomes in the rural areas", while the project purpose is to "promote policy, administrative and institutional reforms which will foster increased exports of agro-pastoral products". The project outputs are basically the reforms set out as Conditions Precedent (CPs) to the cash disbursements by USAID/Niger. As previously mentioned, the CPs fall into five categories which are:

(1) Fiscal Reform : Elimination of the export taxes on agro-pastoral products
(2) Regulations and controls: Improved transport and trading sector regulation
(3) Regional Trade Relations : Promotion of market development in the West African region
(4) Reduction of illicit enrichment or illegal payments to public officials
(5) Public dissemination of agro-pastoral export information

The Project Goal and Purpose Indicators to be used in evaluating the program are, as indicated in the project documents:

(1) Increased and diversified agro-pastoral exports;
(2) Increased production of export crops;
(3) Higher farm income;
(4) Shift of trade into official channels;
(5) Greater GON fiscal revenue.

B. Funding of NEPRP

The conditions precedent (CPs) were defined by disbursement tranche of the cash transfers through the project life, from the original program through the subsequent three amendments. After the third amendment, a total of $ 25,270,000 were obligated under the program, of which 87% went to the NPA component and the remaining 13% to the PA component. A total of six disbursement tranches were reached by the time of this assessment. following three amendments of the original program. The first, second and third tranche disbursements were designed to be used for GON budget support; the fourth and fifth tranche disbursements were to be used for external debt payment, and the sixth tranche disbursement was to be used for domestic debt payment. The following table Summarizes USAID Contributions from the original program through the three amendments.

Table 2.1: Phases and Financial Contributions of NEPR

Component	Original Program $000	Amendment No 1 $000	Amendment No 2 $000	Amendment No 3 $000	Total $000
1. Cash Transfer, (8% Trust Fund)	13,300 (1,064)	- -	6,600 (528)	2,000 (160)	21,900
2. Program Support, PA	1,700	295	975	400	3,370
Total Obligation Date:	15,000 08-18-88	295	7,575	2,400 09-29-94	25,270

The conditionalities, once fulfilled by GON, led to disbursements by tranche. A total of six tranches and thirty seven (37) conditionalities have been reached under the third amendment. The theoretical and actual disbursement schedules are as shown in the table below.

Table 2.2 Summary of the NPA Tranche Amounts and Disbursements

	Original Program	Original Program	Original Program	2nd Amendmnt	2nd Amendmnt	3rd Amendmnt
	1st Tranche $000	2nd Tranche $000	3rd Tranche $000	4th Tranche $000	5th Tranche $000	6th Tranche $000
Amount planned	4,434	4,433	4,433	3,300	3,300	2,000
Amount disbursed	4,434	4,433	4,433	3,300	0	0
Date CPs were met	Feb 1989	Nov 1990	April 1991	Oct 1993	-	-
Date of disbursmt	March 1989	December 1990	May 1991	December 1993	-	-
Nb of CPs	5	8	8	7	5	

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C. Attainment of Conditions Precedent (CPs)

The following table summarizes the situation of the CPs at the time of this assessment.

Table 2.3 : The CPs, their types, their Dates and Levels of Satisfaction

	1st Tranche	2nd Tranche	3rd Tranche	4th Tranche	5th Tranche	6th Tranche
CP1	**F** met 12-15-88	**C** met 10-21-90	**C** met 05-03-91	**F** met 09-17-92	**F** no	**F** no
CP2	**F** met 2-22-89	**C** met 9-24-90	**E** met. wr 04-24-91	**F** met 11-12-92	**B** no	**F** no
CP3	**F** met 02-13-89	**E** met 10-24-90	**C** met 04-23-90	**B** **met** **11-12-92**	**C** no	**C** no
CP4	**F** met 02-15-89	**D** met. wr 4-13-90	**D/E** met 01-21-91	**B** met.wr 09-17-93	**E** no	**C** no
CP5	**A** **met** **02-16-89**	**D** met. wr 9-20-90	**D** met.wr 04-08-91	**C/E** met.wr 05-17-93	**F** no	NA
CP6	NA	**C** met 10-31-90	**D** met 04-30-91	**C** met 10-11-92	NA	NA
CP7	NA	**C** met 10-3-90	**F** met 04-30-91	**F** met.wr 10-20-93	NA	NA
CP8	NA	**F** met 10-12-90	**F** met 04-30-91	NA	NA	NA

Note: **A, B, C...** indicate the type of CPs defined as follows according to their output: Type **A**: Elimination of export tax ; Type **B**: Reduction of illicit enrichment by public officials.Type **C**: Improvement of transport and trading sector regulations; Type **D**: Promotion of regional trade relations and market development in West Africa;Type **E**: Public dissemination of agro-pastoral export market information;Type **F**: Convenant or administrative formalities for cash disbursement.

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Notes Table 2.3, ctnd: "met" means the CP was satisfactorily met; "met.wr" means that the CP was met with some reservations; the bold cells indicate the most important CPs implemented (export tax elimination in CP5 of Tranche 1, legislation against illicit enrichment in CP3 of Tranche 4). NA = Not applicable.

1. The First, Second and Third Tranches

The satisfaction of the conditionalities for the first three tranches were reviewed by the AMEX evaluation team in 1991 and are as shown in Annex 2.

The summary in the above table shows that of a total of 21 conditionalities, only 4 that is less than 20% were satisfied with some reservations. The elimination of export taxes on agro-pastoral products, which is the single most important policy reform under the program, occurred during the first tranche with an agreement between USAID and GON to maintain a statistical tax of 3% on "valeur mercuriale" to cover the cost of statistical data collection and processing by GON.

One of the key CPs under the second tranche (CP3, Tranche 2) was the appointment of a Commercial Attaché to the consulate of Niger in Kano and was satisfactorily met. There were however some reservations about the way CP4 of tranche 2, requiring an initiation of good faith contacts with the government of Nigeria, was met. Similarity, CP5 of the second tranche, requiring GON to undertake commercial missions in neighboring countries, was met with some reservations from USAID. Prohibition of new monopolies in the agro-pastoral sector , was also one of the conditionalities of the second tranche (CP7).

Key CPs of the third tranche included the promulgation of a charte des contribuables, which was satisfactorily completed by GON. The establishment of a system of collection and dissemination of price and exchange rate data at Kano, was also a key conditionality which turned out to be poorly implemented, ineffective and needed to be reformulated. The elimination of professional cards for livestock vendors, also a CP of this tranche (CP3) turned out to be irrelevant. The effective posting of a commercial attache at Kano was satisfactorily completed under the third tranche (CP4). Another CP (CP5) that required continued good faith negotiation with the government of Nigeria on trade relations was again poorly satisfied.

2. The Fourth Tranche

Out of seven conditionalities, three, That is over 40% were satisfied with some reservations. The conditionalities and their levels of satisfaction are as follows:

1) "*Provide information regarding the eligible debts to be paid with the cash transfer's fourth tranche.*" The conditionality was satisfied by two letters ,dated September 17, 1993; one from the Secretaire d'Etat au Budget to USAID/Niger indicating that GON would like the cash transfer to be used to pay for Niger's debts contracted with the African Development

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Bank, and another letter from the ADB to USAID/Niger providing all necessary information required by the grant agreement.
An overpayment of $253,000 to ADB resulted from the fulfillment of this conditionality, according to a REDSO/WCA/RLA report (Bobbie Myers trip report of June 1 -7, 1994 to Niger). The report advised USAID/Niger to consult with GON to determine which other Niger's debt should be reimbursed with the remaining funds. The final solution reached remains unclear.

2) " *Designated the public sector entity empowered to monitor and coordinate the implementation of policy reform measures under the program (MFP)* ". Satisfied by a letter from the Secretaire d'Etat au plan to USAID/Niger, dated November 12,1992. The letter designated the Direction de l'Analyse, des Etudes Economiques et Financieres et de la Prevision as the relevant public sector entity.

3) *"Issued legislation, decrees or appropriate regulations providing negative sanctions against public officials requesting or receiving illegal payments from producers, traders, or transporters involved in the trade or transport of agro-pastoral products.* " Also satisfied in the letter dated November 12, 1992 from the Secretaire d'Etat au Plan which contained copies of two ordonnances: one ordonnance, No 89-18 of December 8, 1989 about the general code of the publicl service, and another ordonance (No 92-024 of June 18, 1992) providing negative sanctions against illicit enrichment. A note from the Directeur des Affaires Judiciaires, dated November 23, 1992, also pointed out that both passive and active corruptions are punished by articles 130, 131, 132, and 133 of the Code Pénal.

4) " *Instructed public officials throughout the country on the application of the legislation, decrees or appropriate regulations in (3), the penalties for its violation, and arrangements for handling investigations and adjudication (for instance by publication in official gazette with distribution of copies throughout the country).* Satisfied by actions and measures taken and described in a letter dated September 17, 1993 from the Secretaire d'Etat au Plan to USAID-Niger. This letter mentioned radio and television programs that took place in August 1993 to inform the general public about the legislation. Proofs of receipt by public officials of instructions regarding the application of the legislation have been sent by various Ministers to the Prime Minister's office. However arrangements for handling investigations and adjudication are not clearly specified.

5)"*Developed public information campaign plans concerning the following : (a) the legislations, decrees or regulations in (3); b) elimination of the export tax and license requirements; (c) current prices of selected agro-pastoral products and transportation costs in/to the markets of Niger and neighboring countries; and (d) other appropriate policies regarding producers, processors, traders and transporters of agro-pastoral products as they are developed.* For this conditionality, terms of references for the campaign plans were proposed by USAID/Niger and were accepted by the national implementing institution, which suggested some minor modifications, in a letter dated Mai 17, 1993 to USAID-Niger. The fact that USAID-Niger had to draft the plan is a bit worrisome and may indicate some

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reluctance from GON to carry out the actions suggested by the conditionality as required..

6) *"Approved scope of work for study which includes analyses of policy options regarding the following:: (a) regulations and authorizations required for purchase of commercial vehicles and establishment of trading enterprises; (b) national trucking tariff schedules; and (c) trucking monopolies on selected routes and for agro-pastoral products (MCTT)."* . USAID-Niger drafted the required statement of work and a PIO/T which has been approved by Mr Maliki Barbubini, Secretary General of the Ministry of Commerce, transportation and tourism on October 11, 1992.

7) *"Submitted to A.I.D., in form and substance acceptable to A.I.D., financial and performance reports as described in the program description relating to all previous tranches of NEPRP."* This conditionality was satisfied on October 20, 1993, with the submission of the 1991/92 performance report to USAID-Niger, in addition to previously submitted financial and performance reports for 1988/89, 1989/90 and 1990/91. The performance reports were often incomplete and some data do not seem quite reliable (e.g., data on cowpea exports).

3. The Fifth Tranche

None of the conditionalities in this tranche has yet been completely satisfied. The status of these conditionalities at the time of this evaluation are as follows:

Prior to the disbursement of the fifth tranche dollar resources GON is expected to provide evidence that it has:

1) *"Provided information about the eligible debts (i.e., multilateral development institutions and non-military U. S.) to be paid with the proceeds of cash transfer's fifth tranche..."* Satisfied by a letter, dated July 8, 1994, from the Minister of Finance that designated the Banque Ouest Africaine de Developpement as the potential recipient of the transfer. However, the amount owed on the list of debts provided by the GON exceeds the amount of the proceeds available under the fifth tranche. REDSO/RLA Officer, Bobbie Myers, suggested in her January 10-13, 1995 trip report that USAID/Niger requests from the GON a priority list of the indicated debts. Such a list had not yet been provided by GON at the time of this assessment in February 1995.

2) . *"Reduced domestic illegal payments to public officials in the trade of agro-pastoral products."* This conditionality raised between GON and USAID/Niger problems of interpretation and of evidence or proofs (of declining illicit enrichment) which were not yet totally resolved to unambiguously satisfy the conditionality. GON contended that following measures it took, illicit enrichment along the roads has declined and agreed that USAID/Niger could undertake a survey to check the contention The survey conducted by S.M. Iddal in November 1994 with results compared to those of a previous baseline survey conducted in May 1992 indicated that the illicit enrichment has been reduced (by 29% for

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the average cost per stop, and by 18% for the average cost per km). Informal interviews carried out by this evaluation team with officials of he drivers union, and with some traders at Maradi also support the conclusion of the survey.

3) "*On the basis of the study undertaken,...., selected and implemented policy options fully consistent with the program's purpose as follows: (a) simpified GON regulations and authorizations required for purchase of commercial vehicles and establishment of trading enterprises; (b) updated GON national trucking tariff schedules; and, (c) eliminated trucking monopolies on selected routes and for agro-pastoral products.*" The national trucking tariff schedules were updated in an Arrêté dated March 22, 1994. The transportation study confirmed GON's claim that trucking monopolies did not exist in Niger. There remains the issue of whether or not the regulations and authorizations required for the purchase of commercial vehicles have been simplified. As also noticed by Bobbie Myers of REDSO/RLA in her trip report of January 10-13, 1994, there is a controversy surrounding the satisfaction of this conditionality. The study entitled "Livestock and Meat Transport in the Niger-Nigeria Corridor" dated March 1991 identified eleven steps required for legally entering the transport sector and indicated that these were a problem. A subsequent DAI study entitled "Niger Transportation Study of Agro-Pastoral Products" dated October 1993 concluded that the regulations and formalities were not a problem. The GON in an August 1, 1994 letter to USAID pointed the conclusion of the DAI report as a proof of satisfaction of the conditionality. USAID/Niger issued a letter to GON requesting that concrete profs of simplification of the process be provided by GON itself. No response was yet received at the time of this assessment.

4) "*Publicized on the radio, for as long as the parties mutually agree is beneficial, at least twice a month in three different local languages, information regarding the following: (a) actions taken regarding implementation of negative sanctions...; (b) elimination of the export tax and license requirements; (c) current prices of selected agro-pastoral products and transportation costs in/to the markets of Niger and neighboring countries; (e) simplification of regulations and authorizations required for purchase of commercial vehicles and establishment of trading enterprises; (f) changes in national trucking tariff schedules, and (g) action taken regarding changes in trucking monopolies...*" The contract for the publicity campaign was signed in October 1994 with Anfani, a local private firm, but the radio and television spots planned have not yet started. These were originally planned to be carried out sporadically within a five-month period. The broadcasting period has now been shortened to last three months with no change in the content of the publicity campaign. Therefore this CP will be satisfied about three months after the beginning of the spots.

5) "*Submitted to AID, in form and substance acceptable to AID, financial and performance reports ... relating to all previous tranches of NEPRP.*" A performance report for 1993 was submitted but with missing information on number of export licenses delivered during the period. The financial report for 1993 was also not received by the Mission at the time of this evaluation The Mission had taken steps to claim the missing elements.

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4. The Sixth Tranche

The four conditionalities under this tranche were not yet fully satisfied at the time of this evaluation.. The first CP requires provision of information on the debt arrears or obligations to be paid with the proceeds of the sixth tranche, while the second CP requires provision of information on a special account where the proceeds will be deposited. The most substantive CPs are the third and fourth ones. CP3 requires that before disbursement GON should have "*issued a decree and a circular letter to fully apply a law simplifying customs tarrifs throughout the country*"; and CP4 requires that GON should have "*designed and adopted an agricultural marketing program for both food and cash crops.*"

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ANNEX 2

AMEX 1992 EVALUATIVE ASSESSMENT OF THE FIRST THREE CONDITIONS PRECEDENT OF NEPRP

Attainment of Conditions Precedent

Non-project assistance under NEPRP was divided into three disbursements, each carrying its own set of conditions precedent (CPs) listed under Article IV of the Program Grant Agreement between the GON and USAID. At the time the program was implemented, USAID/Niger created a file in the General Development Office to hold the GON's evidence of fulfilling each CO. This file also contains copies of letters from the Mission to the GON formally acknowledging fulfillment of individual CPs and, with the completion of each phase of NEPRP, notification of the Mission's intention to disburse non-project funds held pending fulfillment of the relevant set.

The following review summarizes the GON's steps to meet the conditions precedent, and USAID/Niger's acceptance of them. Clearly, however, a proper evaluation of NEPRP covers more than a test of whether the GON met USAID's conditions precedent in the strictest sense. Therefore, a more comprehensive evaluation of NEPRP follows as section II.D., "Overall Evaluation of NEPRP".

1. <u>First Disbursement</u>

For the first disbursement, four of the five CPs involved administrative matters, while the fifth concerned a major policy reform measure:

1) Names and specimen signatures of those authorized to act on behalf of the grantee. Fulfilled by letter of December 15, 1988.

2) Account number of the U.S. bank where the grants were to be deposited. Fulfilled by letter of February 22, 1989.

3) Establishment of special accounts for the deposit of local currency equivalents. Fulfilled by letters of January 13, 1989 and February 13, 1989.

4) Formal designation by the GON of the entity empowered to monitor policy reform measures under the program. Fulfilled by Letter of February 15, 1989.

5) Evidence that export taxes on agro-pastoral products had been eliminated. Fulfilled by letter of February 16, 1989.

This last CP constituted the most important single policy reform measure under the program. The GON accomplished this through the Loi de Finance (the annual budget resolution) for fiscal year 1989, accompanied by a circular listing of those products which would henceforth be exempted; in addition, hides and skins, which were not listed, were given a special exemption if produced in Niger. The GON reported that simple exports (a term covering agro-pastoral products, including hides and skins) would be exempted from the 2 percent BIC withholding tax normally imposed on exports by customs agents at the border.

Loath, however, to lose all control over and revenue from a major economic activity in the traditional sector, the GON proposed, and USAID accepted, the collection of a "statistical tax" of 3 percent on agro-pastoral exports, computed on valeurs mercuriales. The rationale for this tax was that the revenues collected would defray the government's cost of collecting and processing useful economic information.

On March 3, 1989, USAID/Niger informed the GON that all CPs for disbursement of the initial tranche had been met.

2. <u>Second Disbursement</u>

Having achieved a major economic policy reform by eliminating, in a single stroke, an array of export taxes, USAID used the leverage provided by further disbursements as a means to encourage the GON to take additional, if less sweeping, steps to improve the business climate for exporters. Under the second phase of the program, the NEPRP Program Grant Agreement (Section 4.2.A) called for the government to provide evidence that it had undertaken the following eight improvements:

1) "Instructed government personnel throughout the country on the proper formula for estimating value of livestock (cattle) for purposes of fixing patente costs. Simplified licensing (patente) procedures for export of livestock." Satisfied by a circular letter from the Directeur Général des Impôts to all Sous/Préfets and tax officials, dated May 11, 1990, which reminded all recipients of existing procedures for calculating the livestock values relative to imposing the patente, and admonishing them to apply the rules rigorously. An earlier letter (dated October 21, 1990) had provided guidance on these procedures.

2) "Begun preparation of a charte des contribuables (businessmen's bill or rights), to include establishment of the position of arbiter between business and government." Satisfied by letter of September 24, 1990, from the Ministry of Finance, which pointed out that GON was in the process of drafting a Code Général des Impôts embodying revisions to the general tax code and specifying the rights and duties of taxpayers under the law. The new code, the letter continued, would provide for a commission on direct taxes and taxes on business revenues, comprising two representatives each from the Ministries of Commerce and Finance, as well as four representative taxpayers. This commission would

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be empowered to resolve differences between taxpayers and the tax service, thus satisfying the requirement for an arbiter between business and government.

3) "Appointed a commercial attaché (from the Ministry of Commerce) to the consulate in Kano. Established a line item in the national budget for this purpose. (In case of delay in Nigerian acceptance, establishment of line item will suffice for this tranche.)" Satisfied by Arrêté dated October 24, 1990 issued by the Ministry of Foreign Affairs, creating the position, defining its duties, and specifying its funding source (the Ministry of Commerce). USAID rejected the GON's initial proposal to name an employee of the Ministry of Foreign Affairs.

4) "Initiated good faith contacts with the Government of Nigeria in order to establish bilateral commercial accords aimed at resolving the problems of convertibility of the Naira and import duties on Nigerien agricultural products." Satisfied by a list of commercial contacts between Niger and Nigeria, supplied by the Ministry of Plan on April 13, 1990. Although most of the contacts listed had to do with economic activities other than bilateral commerce, one dealt specifically with the issue of currency convertibility.

5) "Undertaken commercial missions in neighboring countries with mixed government and private representation." Satisfied by a list of commercial missions submitted September 20, 1990, but USAID's letter of acceptance warned the GON to confine its evidence of compliance under the upcoming third tranche to missions in countries of West, Central, and North Africa, and to undertake activities other than just trade fairs.

6) "Issued Action Plan for improvement of livestock export practices (implementation of Ministry of Animal Resources and Hydrology report)." Satisfied by Ministry of Plan letter of October 31, 1990. The report, prepare by an American economist under USAID contract, listed more than a dozen minor steps intended to eliminate government controls or make it easier to meet local level requirements. The Ministry's letter indicated compliance with most of the recommendations.

7) "Has not granted any new trade monopolies." Satisfied by letter of October 3, 1990 from the Ministry of Plan, assuring that no new monopolies had been accorded since the implementation of NEPRP.

8) "Has not discontinued, reversed, or otherwise impeded any action it has taken in satisfaction of any previous condition precedent." Satisfied by letter of October 12, 1990 from the Ministry of Plan. In acknowledging fulfillment, USAID appreciated clarification concerning exemption of Niger's hides and skins from the 7 percent tax otherwise applicable. It also noted that, "the fact that the 12% BIC is not applied to exports or imports of business which maintain financial

records is an added incenuve to the private sector to develop management systems needed for operating through formal channels. As such, it is a profits tax levied on certain businessmen via customs operations."

On November 16, 1990, USAID/Niger informed the GON that all CPs for disbursement of the second tranche had been met.

3. Third Disbursement

The eight conditionalities of NEPRP's third tranche were closely modeled on those of the second. In effect, they constituted attempts by USAID to pursue implementation of economic policy reforms beyond the stage of simple acquiescence and formal statements. Prior to disbursement, GON would have to show that it had carried out the following:

1) "Promulgated the charte des contribuables and created the post of arbiter (interlocuteur unique)." Satisfied by letter of May 3, 1991 from the Ministry of Finance to the Secretary General of the Chamber of Commerce, requesting that the Chamber distribute the enclosed charter to businessmen. The Secretary General subsequently informed USAID that the Chamber had printed the charter and mailed it to members. Under the section dealing with taxes forfaitaires (estimated or prepaid taxes), the charter mentions a procedure for resolving disputes between taxpayers and the authorities; the commission created for this purpose includes (as stated by the GON in its response to CP-2 for disbursement of the second NEPRP tranche) representatives of the Ministries of Finance and Commerce, plus private taxpayers.

2) "Established a system of collection and dissemination of data on prices of agro-pastoral products and on exchange rates at Kano." Satisfied by letter of April 24, 1991 from the Ministry of Economic Promotion to the commercial attaché at Kano, requesting weekly transmission of data on prices and exchange rates. The commercial attaché informed the evaluation team that he sends weekly reports by radio to the Presidence (Prime Minister's office), which operates the civil government's internal radio network and forwards messages to appropriate ministries. The Ministry of Commerce reported that it receives the weekly reports and distributes them to the Chamber of Commerce. The Secretary General at the Chamber asserted that the Chamber has received regular information on business opportunities for trade between Niger and Nigeria, but only one report on prices and exchange rates.

It appears doubtful that the presence of a commercial attaché at Kano generates much in the way of market information unknown to Hausa merchants in major Nigerien towns along the border, inasmuch as they have excellent business relationships and frequent communications with merchants in Nigeria. By contrast, getting the commercial attaché's timely market information to farmers might help them negotiate better prices when they sell their goods to Nigerien traders, thus serving the NEPRP objective of

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increasing farm incomes. Perhaps the GON could be persuaded to create regular news programming for farmers via the Office de Radiodiffusion Télévision du Niger, using information provided by the Commercial Attaché through the Chambre de Commerce under the auspices of the Ministry of Commerce.

3) "Eliminated the professional card (carte professionnelle) for vendors of livestock. Simplified and clarified licensing requirements for traders in skins and hides, so as to prevent the development of monopolies or monopsonies." Satisfied by letter of April 23, 1991 from the Ministry of Plan, explaining that (a) the card had never been required of livestock traders, and (b) the licensing requirements for livestock traders posed no particular barriers to entry. The GON had already eliminated the state-owned hides and skins firm's legal monopoly over the trade. As part of an understanding between USAID/Niger and the GON that the CP had been met, USAID/Niger agreed to undertake a study of the regulations governing livestock trade, and the GON agreed to consider implementing its recommendations.

4) "Posted commercial attaché to Kano after receipt of Nigerian approval and training of individual." Satisfied by the Arrêté of January 21, 1991 issued by the Ministry of Foreign Affairs naming Hassane Garba as commercial attaché at Kano. Under NEPRP, USAID financed commercial training in the United States for M. Garba.

5) "Continued good faith negotiations with the Government of Nigeria on trade relations." Satisfied by letter of April 8, 1991 from the Ministry of Plan, which enclosed a list of meetings of the Mixed Niger/Nigeria Commission on Cooperation. Like the list provided to satisfy CP-4 for the second tranche of NEPRP, this list cited meetings not only on a variety of economic and social issues not related to trade, but also mentioned one meeting on methods for assuring payment of trade transactions between the two countries.

6) "Undertaken additional commercial missions, as described under second tranche." Satisfied by letter of April 30, 1991 from the Ministry of Plan, providing names and occupations of participants (including a few private business representatives) at trade fairs in Africa after the disbursement of NEPRP's second tranche.

7) "Reviewed jointly with A.I.D. the progress achieved in implementing the export promoting policy reforms with special attention to the identification of additional policy constraints which are affecting export growth; and is taking measures to address any constraints thus mutually identified which reflect agreement on research and analyses needed to identify specific corrective steps." Satisfied by letter of April 30, 1991 from the Ministry of Plan, citing three joint GON/USAID technical meetings to discuss constraints on agro-pastoral exports.

8) "Has not discontinued, reversed or otherwise impeded any action it has taken in satisfaction of any previous condition precedent." Satisfied by letter of April 30, 1991 assuring USAID that no regressive measures had been taken, but pointing out that the 1991 Loi de Finances provided for an increase in the taxe statistique to 4.5 percent (from 3 percent) computed on valeurs mercuriales (assessed values). The ministry attached a draft decree intended to rectify the matter by exempting agro-pastoral products from the increase in the statistical tax; the file contains no indication whether such a decree was issued. However, the file does contain an Arrêté establishing valeurs mercuriales for agro-pastoral products for fiscal year 1991; it is not clear from this document whether assessed values were decreased, or, if so, whether the decreases were enough to offset the 50 percent increase in the statistical tax.

4. General Conclusions about Conditions Precedent

As stated earlier, the most important CP attached to NEPRP was the requirement that export taxes on agro-pastoral exports be abolished. This condition had the virtue of clarity: the GON knew what it had to do, did it, and presented evidence of its actions. Thus, the major reform under NEPRP was attained before the first non-project aid tranche was disbursed. The additional CPs to disbursement of the second and third tranches lacked the clarity of the first, as well as its impact on the rural economy. Because later CPs were somewhat ill defined, the GON repeatedly asked USAID for clarifications.

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